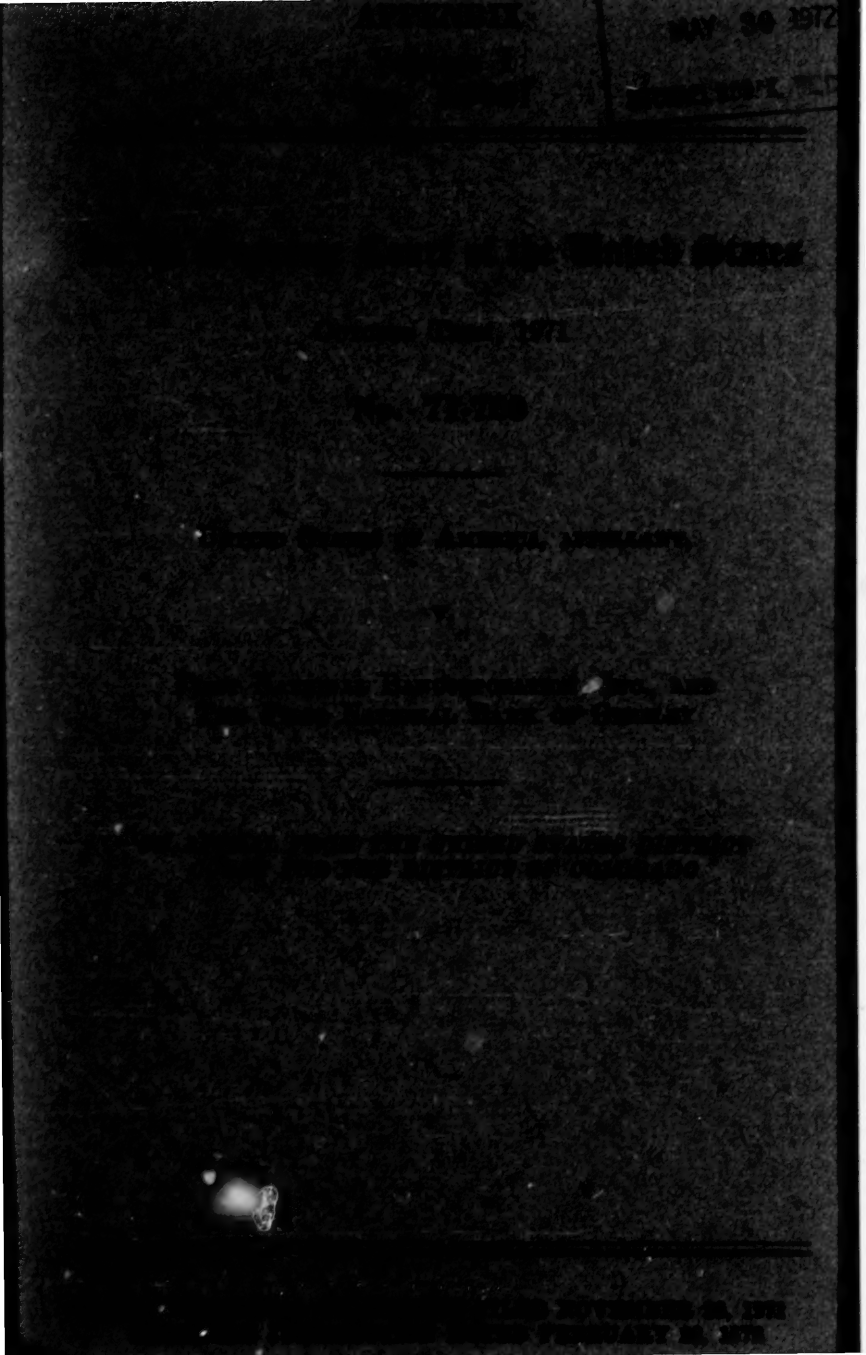

In the Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-703

UNITED STATES OF AMERICA, APPELLANT,

v.

FIRST NATIONAL BANCORPORATION, INC., AND THE FIRST NATIONAL BANK OF GREELEY

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLORADO

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UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLORADO

UNITED STATES OF AMERICA, PLAINTIFF, v. FIRST NATIONAL BANCORPORATION, INC., AND THE FIRST NATIONAL BANK OF GREELEY, DEFENDANTS.	Civil Action No. C-2413

RELEVANT DOCKET ENTRIES

Date	
1970	
7/8	Complaint
7/24	Answer of both defts . . Cert. of Service.
9/4	Pre-trial Conference . . (WED)
12/17	Motion of pltf. for consolidation of actions involving common question of law & fact with C-2754
1971	
1/11	Motion for leave to file amended complaint
1/15	Pre Trial conference (WED) Ordered: Motion to consolidate is taken under advisement. eod 1/18/71 Motion to amend was granted
1/29	Signed (WED) order denying motion for consolidation. eod 1/29/71
3/8	Signed (WED) order that pltfs motion for leave to file amended complaint is granted, & that the amended complaint be filed as of 1/15/71 eod 3/9/71
3/22	Hearing (WED) Ordered: set this matter for trial on 5/3/71 . . Recess . . eod 3/24/71
1/15	Amended complaint . . Cert. of Service
4/29	Pre-trial Conference (WED)
5/3	Trial to court (WED) . . 1st day . . Exhibits . . Witnesses . . Recess . . eod 5/5/71
5/4	Trial to court (WED) . . 2nd day . . Exhibits . . Witnesses . . Recess . . eod 5/5/71
5/5	Trial to court (WED) . . 3rd day . . Exhibits . . Witnesses . . Recess . . eod 5/6/71
5/6	Hearding (WED) 4th day discussion of preliminary matters . . Witnesses . . Exhibits . . Ordered:

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Motion of Deft. to dismiss is denied . . Recess to 5/10/71 . . . eod 5/7/71

5/10 Trial to court (WED) 5th day . . . Exhibits . . . Witnesses . . . Recess eod 5/12/71

5/11 Trial to court (WED) 6th day . . . Witnesses . . . Recess . . . eod 5/12/71

5/12 Trial to court (WED) 7th day . . . Witnesses . . . Exhibits . . . Recess . . . eod 5/13/71

5/13 Trial to court (WED) 8th day . . . Witnesses . . . Exhibits . . . Ordered: Pltfs. have 10 days to file supplemental findings & this matter is under advisement . . . recess . . . eod 5/14/71

6/23 Motion of Pltf. for order setting expiration date for statutory stay

7/12 Signed (WED) Memo. Opinion and Order . . . Ordered: that requested relief must be denied and that the complaint and cause of action be dismissed . . . the govt. is granted a stay of proceeding for 30 days—during this period the statutory injunction will remain in force . . . eod 7/13/71

7/22 Motion of Pltf. to Re-Open the Record, to make additional findings of fact, and to amend the judgment . . . Cert. of service.

8/4 Motion to extend the statutory stay-attached to Notice Signed (WED) on motion to extend the statutory stay, stay granted until after hearing on motion to reopen . . . Matter to be considered after that hearing. eod 8/4/71

8/9 Trial to court (WED) . . . 1st Day . . . Witnesses . . . Exhibits . . . Ordered: Pltfs. motion to reopen the record is denied . . . Motion for stay is granted for an additional 40 days from this date . . . written order to follow . . . eod 8/10/71

8/13 Signed (WED) Ordered that the statutory stay set forth in the Bank Holding Act of 1956, is continued for a period of 40 days from 8/9/71 . . . eod 8/16/71

8/27 Signed (WED) Order that the Motion to Re Open the Record, to make additional findings of fact & to amend the judgment is denied . . . eod 8/27/71

9/13 Stipulation Re judgment entered 7/12/71

9/24 Notice of appeal to the Supreme Court of the U. S. by the U. S. . . . Cert. of Mail.

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10/8 Copy of order from the Supreme Court of the U. S.—that the stay of proceedings granted by the U. S. District, Dist. of Colo. is continued pending the timely docketing of an appeal by the U. S. and the final determination of said appeal by this Court

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UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLORADO

UNITED STATES OF AMERICA, PLAINTIFF, v. FIRST NATIONAL BANCORPORATION, INC., AND THE FIRST NATIONAL BANK OF GREELEY, DEFENDANTS.	Civil Action No. C-2413 Filed: July 8, 1970

COMPLAINT

The United States of America, plaintiff, by its attorneys, acting under the direction of the Attorney General of the United States, brings this civil action to obtain equitable relief against the above-named defendants, and complains and alleges as follows.

I

JURISDICTION AND VENUE

1. This complaint is filed and this action is instituted under Section 15 of the Act of Congress of October 15, 1914, c. 323, 38 Stat. 736, as amended (15 U.S.C. § 25), commonly known as the Clayton Act, in order to prevent and restrain the violation by the defendants, as hereinafter alleged, of Section 7 of the Clayton Act, 38 Stat. 731, as amended.

2. Each of the defendants has its principal place of business, transacts business and is found within the District of Colorado.

II

THE DEFENDANTS

3. First National Bancorporation, Inc. (hereinafter referred to as "Bancorporation") is made a defendant herein. Bancorporation is a registered bank holding company organized under the laws of the State of Colorado and maintains its principal place of business in Denver, Colorado.

4. The First National Bank of Greeley (hereinafter referred to as "First National Bank") is made a defendant herein. First National Bank is a banking association or-

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ganized under the laws of the United States of America and maintains its principal place of business in Greeley, Weld County, Colorado.

III

Trade and Commerce

5. Commercial banks fill an essential and unique role in the nation's economy. Their principal functions are the acceptance of deposits for safekeeping and convenience in making payments by check, the granting of loans or advances of funds to individuals and business firms, and the creation through demand deposits of net additions to the supply of money. Most money payments in the United States are made through checks drawn aaginst demand deposits, and the creation and holding of such deposits is a function peculiar to commercial banks and one which makes them to a great extent the administrators of the nation's check payment system. Through the making of loans to individuals and businesses, commercial banks supply a significant part of the credit requirements of the nation's economy. Commercial banks also accept time deposits from various types of depositors and provide a wide variety of other financial services, including personal and corporate trust accounts, the collection of drafts, bills and other commercial instruments, the acceptance of bills of exchange, the issuance of letters of credit, the sale of cashier's checks and drafts on correspondent banks, the purchase of sale or securities for customers, the sale of foreign exchange, and the renting of safety deposit boxes. This combination of services is unduplicated by other financial institutions.

6. Customers of Bancorporation subsidiary banks and of First National Bank have regularly utilized interstate communications, including the mails, telephone and telegraph, to carry on their business with, apply for, and obtain the services provided by these banks. Bancorporation's subsidiary banks and First National Bank have regularly utilized interstate communications, including the mails, telephone and telegraph, to conduct business with customers and with other banks located in states other than Colorado. Bancorporation and First National Bank are engaged in interstate commerce.

7. Bancorporation is the second largest bank holding company and the second largest banking organization in the

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State of Colorado. As of December 31, 1969, it controlled four subsidiary banks with aggregate deposits of about $530 million, representing almost 15 percent of the total deposits held by all commercial banks in the State of Colorado. As of that same date, these four subsidiary banks combined had total assets of about $668 million and total loans of more than $374 million.

8. First National Bank was organized in 1884. It operates its sole office in Greeley, Weld County, Colorado. As of December 31, 1969, it had total assets of $46 million, total deposits of $40 million and total loans of $27 million.

9. Weld County lies to the northeast of the Denver Standard Metropolitan Statistical Area. Weld County is one of the leading agricultural counties in the United States. Its population in 1970 is about 89,000.

10. Greeley is the commercial center for this area of broad, irrigated farmlands. Its population in 1970 is about 40,000. "Greeley" is defined as the City of Greeley proper and all adjacent urbanized areas. The "Greeley area" includes Greeley and the towns of Evans, La Salle, Peckman, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell. In the last decade both Greeley and the Greeley area have experienced substantial economic and population growth.

11. Commercial banking in Greeley is highly concentrated. As of December 31, 1969, six commercial banks operated in Greeley, three of which are subsidiaries of the same bank holding company. On that date, First National Bank held approximately 34 per cent, or the second largest share, of the total deposits held in such banks, two banking organizations accounted for about 76 percent of such deposits, and three banking organizations accounted for about 98 percent of such deposits.

12. Commercial banking in the Greeley area is also highly concentrated. As of December 31, 1969, eight commercial banks operated in the Greeley area, three of which are subsidiaries of the same bank holding company. On that date, First National Bank accounted for about 32 percent, or the second largest share, of the total deposits held in such banks, two banking organizations accounted for over 70 percent of such deposits, and three banking organiizations accounted for about 90 percent of such deposits.

13. Bancorporation is the largest holding company in Colorado which does not have a subsidiary bank operating

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in Greeley or the Greeley area. Bancorporation has the resources and interest to enter Greeley or the Greeley area by the establishment of a *de novo* bank or by acquisition of a small bank in Greeley or the Greeley area. Bancorporation is one of the most likely entrants into these markets.

14. Bancorporation has applications pending, or has announced plans to acquire, in addition to First National Bank, the following banks: The Exchange National Bank, Colorado Springs, Colorado ("Exchange"); First National Bank, Pueblo, Colorado ("Pueblo Bank"); and The Security State Bank of Sterling, Sterling, Colorado ("Security"). As of December 31, 1969, Exchange, Pueblo Bank and Security had, respectively, total deposits of $50.0 million, $53.5 million, and $24.9 million. In addition, the largest banking organization in the state, United Banks of Colorado Inc., has an application pending to acquire Colorado Springs National Bank, Colorado Springs, Colorado ("CSNB"), which as of December 31, 1969, had total deposits of $36.0 million. Pueblo Bank, Exchange and First National Bank are respectively the three largest independent Colorado banks located outside of Denver. CSNB is the fourth largest such bank.

15. Bancorporation's leading subsidiary, The First National Bank of Denver, Denver, Colorado ("FNBD"), is the largest bank in Denver, which is the state capital and financial center in the State of Colorado. FNBD is a leading source of correspondent banking services to other commercial banks in Colorado and the surrounding states. Such services are generally provided by a large metropolitan bank to local banks, and they include clearing of checks and other commercial transactions, participation in loans (usually larger loans) with the local bank, providing various forms of investment and other information and advice, providing data processing services, and providing a variety of other financial services which a particular local bank may require. As compensation for such services, the local bank maintains inter-bank deposits with its principal correspondent banks; FNBD holds substantial inter-bank deposits. FNBD has provided correspondent banking services to banks in Greeley and the Greeley area.

IV

Offense Charged

16. Defendants Bancorporation and First National Bank

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have entered into agreements which will result in acquisition by Bancorporation of 80 percent or more of the voting shares of First National Bank. On June 9, 1970, the Board of Governors of the Federal Reserve Board granted approval of the proposed acquisition.

17. The effect of the acquisition described in paragraph 16 above may be substantially to lessen competition or tend to create a monopoly in violation of Section 7 of the Clayton Act in the following ways, among others;

(a) potential competition between Bancorporation and First National Bank in commercial banking in Greeley and the Greeley area will be permanently eliminated;

(b) Bancorporation will be eliminated as a potential entrant into commercial banking in Greeley and the Greeley area, either through chartering a new bank or acquiring a small existing competitor;

(c) potential competition will be reduced by the elimination of First National Bank as a potential member of a new holding company capable of entering commercial banking in other areas in the State of Colorado;

(d) Competition for correspondent bank services for the remaining independent banks in Greeley and the Greeley area may be reduced;

(e) This acquisition may trigger similar acquisitions of leading local banks by the leading banking organizations in the state, thereby causing various further anticompetitive effects of the type alleged herein.

(f) Potential competition in commercial banking may be reduced by the continuation of a trend of acquisitions by leading banking organizations in Colorado of independent banks with substantial positions in markets throughout many parts of the state, thereby reducing diversity in banking choices and promoting parallel policies among leading banks in local markets;

(g) Banking resources in the State of Colorado may be further concentrated in the leading banking organizations in the state, thereby enhancing the power of

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those organizations in the banking markets in which they operate.

PRAYER

WHEREFORE, plaintiff prays:

1. That the agreements described in paragraph 16 of this complaint be adjudged to be unlawful, in violation of Section 7 of the Clayton Act.

2. That defendants and all persons acting on their behalf be enjoined from carrying out the aforesaid acquisition agreements, or any similar plans or agreements, the effect of which would be to merge, consolidate, or in any other way combine the businesses of said defendants.

3. That the plaintiff have such other and further relief as the Court may deem just and proper.

4. That the plaintiff recover the costs of this action.

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Attorney General

HERBERT G. SCHOEPKE

RICHARD W. MCLAREN
Assistant Attorney General

EUGENE V. LIPKOWITZ

BADDIA J. RASHID

PETER C. CARSTENSEN

Attorneys,
Department of Justice

CHARLES L. WHITTINGHILL

Attorneys,
Department of Justice

United States Attorney

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UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLORADO

UNITED STATES OF AMERICA, PLAINTIFF, v. FIRST NATIONAL BANCORPORATION, INC., AND THE FIRST NATIONAL BANK OF GREELEY, DEFENDANTS.	Civil Action No. C-2413 Filed: July 8, 1970

ANSWER

Defendants, First National Bancorporation, Inc. and The First National Bank of Greeley, by their attorneys, answer the Complaint brought against them as follows:

I.

1. Defendants agree that jurisdiction is properly vested in this court under section 25 of Title 15 of the United States Code to restrain violations of federal merger statutes. We deny that we have violated those statutes.

2. Defendants admit the allegations in paragraph 2 of the Complaint.

3. Defendants admit the factual allegations in paragraph 3 of the Complaint.

4. Defendants admit the factual allegations in paragraph 4 of the Complaint.

5. Insofar as plaintiff, in paragraph 5 of its Complaint, attempts to characterize the relative importance of various of the activities of commercial banks, or to suggest that certain results of their actions are relevant to a competitive analysis of their business, defendants deny the allegations. Defendants deny the relevance of the last sentence of paragraph 5, noting that the same might be said of every kind of financial institution. The proper question is whether these financial institutions compete as to particular services and if the Complaint is to be read as alleging that they do not so compete, such allegation is denied.

6. Defendants agree that they are engaged in interstate commerce.

7. Paragraph 7 of the Complaint is denied insofar as it represents that First National Bancorporation is the second

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largest bank holding company and the second largest banking organization in the State of Colorado. First National Bancorporation and United Banks of Colorado, Inc., are dwarfed by Western Bancorporation which operates in Colorado through its subsidiaries, American National Bank of Denver, First National Bank in Fort Collins, and Continental National Bank of Englewood. Western Bancorporation has resources of more than $10 billion. First National Bancorporation and United Banks do not operate outside the State of Colorado, while Western Bancorporation has only a small ($212 million) portion of its total deposit pool in the State of Colorado. Thus, the *Colorado* deposits of First National Bancorporation and United Banks are larger. This fact is, however, competitively irrelevant. The competitive effects of a merger proposal are to be measured in geographic and product markets. Commercial banking markets are essentially local ones. To the same extent that intrastate bank holding companies are able to marshal their deposits in Colorado banks in support of their operations in particular banking markets, Western Bancorporation is able to marshal its deposits from whatever state it may have accumulated them. The total amount of deposits a particular banking organization may derive from a particular state is relevant only insofar as that state comprises an actual and an actually relevant banking market. Defendants deny that the State of Colorado comprises an actual or an actually relevant banking market. Defendant First National Bancorporation denies that the deposits of its subsidiaries "represents almost 15 percent of the total deposits held by all commercial banks in the State of Colorado . . . as of December 31, 1969." In fact, including the wholesale banking function performed by First National Bancorporation's principal money market subsidiary, First National Bancorporation controls only 13.5 percent of said deposits as was well known to plaintiff prior to the filing of this Complaint. By stripping out the wholesale marketing functions of First National Bancorporation subsidiaries and concentrating on the small retail accounts with which the merger statutes are principally concerned and which constitute the overwhelming bulk of all deposit accounts in commercial banks, defendant First National Bancorporation subsidiaries are seen to have about a 6.8% share of this relevant submarket (assuming, arguendo, that

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commercial banking is a relevant line of commerce in this case, which we deny).

8. Paragraph 8 of the Complaint is admitted.

9. Defendants admit the first and third sentences of paragraph 9. Defendants admit that Weld County is the most important cattle feeding and crop producing county in Colorado.

10. Defendants admit that Greeley is the seat of Weld County, that its population in 1970 approximates 40,000 and that it has in the last twenty years demonstrated demographic and economic growth on a modest scale somewhat below state averages. Defendants note the definitions recited in the third and fourth sentences without conceding them any relevance to this litigation.

11. Defendants agree with the arithmetic plaintiff utilizes in the second and thrid sentences of paragraph 11 of the Complaint. Defendants deny that "commercial banking" is a relevant market and most emphatically deny that commercial banking in Greeley is concentrated, much less "highly concentrated." In its ordinary, or pejorative, context, the word "concentrated" as applied to an industrial structure is taken to mean that the market in question has been preempted by fewer competitive entrants than could reasonably be accommodated by the size of the geographic market or the economies of scale appropriate to that industry. Thus, two competing gasoline stations in a community of 1,500 might be characteristic of a highly unconcentrated market while ten competing gas stations in a community of 150,000 could be characterized as "highly concentrated." Or, in an industry-wide context, if the major economies of scale can be accommodated by only seven or eight suppliers (say automobile manufacture), it would be improper to speak of the industry as "concentrated" if five of these have the dominant share of productive capacity. Thus, in local banking markets, four (in Greeley) or six (in the "Greeley area") banking alternatives is a highly concentrated banking structure. Indeed, Weld county is one of the most *unconcentrated* counties in the United States in terms of banking alternatives. On June 29, 1968 there were 2,810 counties or county equivalents in the United States with populations of 100,000 or less (1960 census of population). Only *three* (3) were served by more banks than served Weld County. This remarkable fact

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is wholly inconsistent with a contention that the area is a "highly concentrated" banking market. A conclusion by the Supreme Court that the City of Philadelphia, with nearly double the deposit pool of the entire State of Colorado, was concentrated with *18 banks* is not to be taken as evidence that Colorado, with 224 banks, is similarly concentrated.

12. See the answer to the previous paragraph of the Complaint.

13. Paragraph 13 of the Complaint is denied. As pointed out in the answer to paragraph 7 of the Complaint, First National Bancorporation is dwarfed by the $10 billion Western Bancorporation which operates in Colorado through subsidiaries named in paragraph 7. There is absolutely no evidence to support the statement in paragraph 13 of the Complaint that Bancorporation is "interested[ed]" in entering "Greeley or the Greeley area by the establishment of a *de novo* bank or by acquisition of a small bank in Greeley or the Greeley area." Indeed, we specifically deny such interest or intent. Finally, the *capability* of establishing a *de novo* bank is ultimately subject to the sole discretion of the supervising bank regulatory agencies and is not within the "resources" of Bancorporation, or any other organization, to accomplish at will. Consistent with and arising out of the same economic imperatives that influenced our decision not to enter by the paths plaintiff proposes in the alternative, we have been given to understand that the bank regulatory agencies would not be inclined to act favorably upon any such *de novo* application, should any holding company in the state be so motivated.

14. First National Bancorporation admits that its Board of Directors has outstanding agreements of affiliation with the respective Boards of the banks enumerated in the first sentence of paragraph 14 of the Complaint but denies the relevance of this recitation. None of these proposals have been acted upon by the Federal Reserve Board, without whose approval the agreements cannot be consummated, nor has the option of the Department of Justice to move to enjoin their consummation been impaired. None of these proposed affiliations would in any way affect the competitive impact of *this* proposed affiliation.

Defendants admit the second sentence of paragraph 14 of the Complaint. Defendants deny that United Banks of

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Colorado is the largest banking organization in Colorado (see paragraph 7 of this Answer). As to the last two sentences of paragraph 14 of the Complaint, defendants admit that the enumerated banks are the four largest banks not already part of one of the eight holding companies in the state. If each of the four applications pending on behalf of First National Bancorporation were approved by the Federal Reserve Board and the Department of Justice (or, ultimately, a federal court), there would then be just as many banking alternatives in every banking market in the State of Colorado as there are today. First National Bancorporation's share of state deposit totals would be 17.8 percent, placing Colorado 27th among the several states when ranked by concentration of state deposits in the largest banking organization in each such state.

15. The first sentence of paragraph 15 of the Complaint is admitted except insofar as it appears to suggest that Denver is a financial center only for the State of Colorado. The second sentence of paragraph 15 of the Complaint is admitted, except insofar as it implies that "correspondent banking services" is a relevant line of commerce in this case, which is denied. The remainder of paragraph 15 of the Complaint is denied. Correspondent relationships, their functions, purposes and usages are enormously more diffuse, complex and intricate than plaintiff would have us understand.

16. Paragraph 16 of the Complaint is admitted, except that the agreements entered into to date are agreements of the respective Boards of Directors and not agreements of the respective banking institutions.

17. Generally, in response to paragraph 17 of the Complaint the defendants deny that the proposed affiliation will either substantially lessen competition in any line of commerce in any section of the country or tend to create a monopoly in any line of commerce in any section of the country. Furthermore, defendants deny that either Greeley or the "Greeley area" constitutes an economically significant "section of the country" within the intendment of the Clayton Act. Specifically, to the sub-paragraphs of paragraph 17 of the Complaint, the defendants allege as follows:

(a) Paragraph 17(a) of the Complaint is denied. Defendants admit that the potential for direct competition between a hypothetical First National Bancorpora-

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tion subsidiary and First National Bank of Greeley in commercial banking in Greeley and the Greeley area will be eliminated for the foreseeable future should the acquisition be accomplished. It is denied, however, that the elimination of competition, actual or potential, between two business entities is, in and of itself, a meaningful event under the terms of Section 7 of the Clayton Act.

(b) Paragraph 17(b) of the Complaint is denied. Defendants deny that First National Bancorporation is a reasonably probable entrant into commercial banking in Greeley or the Greeley area through chartering a new bank or acquiring a smaller, presently existing, bank in the foreseeable future. Further, the absence of First National Bancorporation from the very large group of persons and businesses with the financial resources to open or buy a small unit banking office in Greeley could not have a perceptible much less substantially adverse effect upon competition in that geographic area.

(c) It appears to defendants that this proposal begs the question. First National Bank of Greeley *is* by force of this proposed affiliation to become a member of a new holding company capable of entering commercial banking in "other areas" in the State of Colorado. First National Bancorporation is presently composed of four Denver banks. The three small suburban banks were created and staffed by First National Bank of Denver. As a practical matter then, First National Bank of Greeley is becoming, through this agreement, part of a new holding company. To argue that it should not be permitted to join one new holding company in order to preserve its capacity to join another is incongruous at best; to argue that failure to so preserve it is likely to substantially lessen competition is a proposition which will not withstand its own recitation.

(d) There is one bank in Greeley and two other banks in the "Greeley area" which are not themselves parts of substantial holding companies or defendants in this action. Together, they approximate $10 million in deposits. Since First National Bancorporation would be perfectly happy to supply such modest correspondent services as they might require, we suppose that

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plaintiff has implicitly assumed that the three small banks would reject such proffered services. We do not understand how this assumed rejection of our services can constitute a "lessening of competition," but then this proposition is not supported by any characterization of the competitive universe or any meaningful "product line." In any case, we deny that any substantial lessening of competition would result from the postulated reaction of the local banks.

(e) No bank affiliation can "trigger" any other bank affiliation. No bank may affiliate with another without the explicit approval of at least one bank regulatory agency. No bank affiliation approved by at least one bank supervisory agency can be consummated without complete and careful analysis of the competitive effects by the Antitrust Division of the Department of Justice (as that agency is required to do by statute in this industry and in this industry alone). No two banks can consummate an affiliation which is opposed by the Antitrust Division of the Department of Justice because in this industry and in this industry alone, the Department of Justice has an automatic injunction imposed by force of the mere filing of a complaint and no merger can be consummated until thirty days after the Department of Justice is advised that the bank regulatory agency has approved the affiliation.

(f) Paragraph 17(f) of the Complaint is denied for the same reason that paragraph 17(e) was denied. We also note that the "trend of acquisitions" of which this is a continuation is, insofar as First National Bancorporation is concerned, a nonexistent one. First National Bancorporation has never acquired any independent banks. The supposition that the creation (for that is what is transpiring) of banking chains in Colorado "promotes parallel policies" is a flat *ipse dixit* without warrant in the history of the industry or in the practice within the State. We deny that the development of banking chains "reduces diversity in banking choices." The number of competitive options initially remains the same in those states where branch or chain banking is becoming established, and as the developing chains become experienced with the problems associated with "branch" banking, the competitive

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need to grow has tended to substantially *increase* the number of banking alternatives in particular banking markets at (and sometimes before) the earliest moment such markets could support a further entrant.

(g) Paragraph 17(g) of the Complaint is denied. Banking resources in Colorado are not concentrated, nor is there any evidence that size in, e.g., Denver, has any effect upon competitive viability in, e.g., Greeley. Indeed, the United Banks of Colorado holding company, which is larger than First National Bancorporation, has operated in Greeley for more than five years and has a smaller market share today than its subsidiary had when it was "independent."

II.

1. As a second and a separate defense to the charges of the Complaint, defendants contend that even if this Court should find that the probable effect of this proposed merger might be to bring about a substantial lessening of competition or a tendency towards monopoly in a line of commerce in a section of the country, that, nevertheless, this anticompetitive effect is substantially outweighed in the public interest by the favorable impact of the proposed merger in meeting the convenience and needs of the community to be served. Under the Bank Merger Act of 1966 (12 U.S.C. § 1828(c)(7)(B) and § 1828(c)(5), this finding by the Court is a complete defense to the Complaint should the Court conclude that said Complaint was otherwise well founded:

> (c)(7)(B) In any judicial proceeding attacking a merger transaction approved under paragraph (5) on the ground that the merger transaction alone and of itself constituted a violation of any antitrust laws other than section 2 of Title 15, the standards applied by the court shall be identical with those that the banking agencies are directed to apply under paragraph (5).
>
> (c)(5) The responsible agency shall not approve—
>
> (A) any proposed merger transaction which would result in a monopoly, or which would be in furtherance of any combination or conspiracy to monopolize or to attempt to monopolize the business of banking in any part of the United States, or
>
> (B) any other proposed merger transaction whose effect in any section of the country may be

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substantially to lessen competition, or to tend to create a monopoly, or which in any other manner would be in restraint of trade, unless it finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

In every case, the responsible agency shall take into consideration the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served.

PRAYER

WHEREFORE, defendants pray that this action against them be dismissed; that they may have such other and further relief as the Court may deem just and proper; and, that they recover the costs of this action.

Dated: July 24, 1970.

METZGER, SCHWARZ & MCKENNA

By Eugene J. Metzger
(EUGENE J. METZGER)
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on July 24, 1970, I served the within and foregoing Answer upon the plaintiff by mailing a true copy of said Answer, postage pre-paid, to the following attorneys of Record for the plaintiff:

HERBERT G. SCHOEPKE, Esquire
United States Department of Justice
Antitrust Division
Washington, D. C. 20530

JAMES L. TREECE, Esquire
United States Attorney
U. S. Attorney's Office
U. S. Courthouse
Denver, Colorado 80202

/s/ Edward B. Close, Jr.
EDWARD B. CLOSE, JR.

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UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

UNITED STATES OF AMERICA, PLAINTIFF, v. FIRST NATIONAL BANCORPORATION, INC. and THE FIRST NATIONAL BANK OF GREELEY, DEFENDANTS.	Civil Action No: C-2413 Filed: July 8, 1970

AMENDED COMPLAINT

The United States of America, plaintiff, by its attorneys, acting under the direction of the Attorney General of the United States, brings this civil action to obtain equitable relief against the above-named defendants, and complains and alleges as follows.

I

JURISDICTION AND VENUE

1. This complaint is filed and this action is instituted under Section 15 of the Act of Congress of October 15, 1914, c. 323, 38 Stat. 736, as amended (15 U.S.C. § 25), commonly known as the Clayton Act, in order to prevent and restrain the violation by the defendants, as hereinafter alleged, of Section 7 of the Clayton Act, 38 Stat. 731, as amended.

2. Each of the defendants has its principal place of business, transacts business and is found within the District of Colorado.

II

THE DEFENDANTS

3. First National Bancorporation, Inc. (hereinafter referred to as "Bancorporation") is made a defendant herein. Bancorporation is a registered bank holding company organized under the laws of the State of Colorado and maintains its principal place of business in Denver, Colorado.

4. The First National Bank of Greeley (hereinafter re-

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ferred to as "First National Bank") is made a defendant herein. First National Bank is a banking association organized under the laws of the United States of America and maintains its principal place of business in Greeley, Weld County, Colorado.

III

Trade and Commerce

5. Commercial banks fill an essential and unique role in the nation's economy. Their principal functions are the acceptance of deposits for safekeeping and convenience in making payments by check, the granting of loans or advances of funds to individuals and business firms, and the creation through demand deposits of net additions to the supply of money. Most money payments in the United States are made through checks drawn against demand deposits, and the creation and holding of such deposits is a function peculiar to commercial banks and one which makes them to a great extent the administrators of the nation's check payment system. Through the making of loans to individuals and businesses, commercial banks supply a significant part of the credit requirements of the nation's economy. Commercial banks also accept time deposits from various types of depositors and provide a wide variety of other financial services, including personal and corporate trust accounts, the collection of drafts, bills and other commercial instruments, the acceptance of bills of exchange, the issuance of letters of credit, the sale of cashier's checks and drafts on correspondent banks, the purchase or sale of securities for customers, the sale of foreign exchange, and the renting of safety deposit boxes. This combination of services is unduplicated by other financial institutions.

6. Customers of Bancorporation subsidiary banks and of First National Bank have regularly utilized interstate communications, including the mails, telephone and telegraph, to carry on their business with, apply for, and obtain the services provided by these banks. Bancorporation's subsidiary banks and First National Bank have regularly utilized interstate communications, including the mails, telephone and telegraph, to conduct business with customers and with other banks located in states other than Colorado.

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Bancorporation and First National Bank are engaged in interstate commerce.

7. Bancorporation is the second largest bank holding company and the second largest banking organization in the State of Colorado. As of December 31, 1969, it controlled four subsidiary banks with aggregate deposits of about $530 million, representing almost 15 percent of the total deposits held by all commercial banks in the State of Colorado. As of that same date, these four subsidiary banks combined had total assets of about $668 million and total loans of more than $374 million.

8. First National Bank was organized in 1884. It operates its sole office in Greeley, Weld County, Colorado. As of December 31, 1969, it had total assets of $46 million, total deposits of $40 million and total loans of $27 million.

9. Weld County lies to the northeast of the Denver Standard Metropolitan Statistical Area. Weld County is one of the leading agricultural counties in the United States. Its population in 1970 is about 89,000.

10. Greeley is the commercial center for this area of broad, irrigated farmlands. Its population in 1970 is about 40,000. "Greeley" is defined as the City of Greeley proper and all adjacent urbanized areas. The "Greeley area" includes Greeley and the towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell. In the last decade both Greeley and the Greeley area have experienced substantial economic and population growth.

11. Commercial banking in Greeley is highly concentrated. As of December 31, 1969, six commercial banks operated in Greeley, three of which are subsidiaries of the same bank holding company. On that date, First National Bank held approximately 34 per cent, or the second largest share, of the total deposits held in such banks, two banking organizations accounted for about 76 per cent of such deposits, and three banking organizations accounted for about 98 per cent of such deposits.

12. Commercial banking in the Greeley area is also highly concentrated. As of December 31, 1969, eight commercial banks operated in the Greeley area, three of which are subsidiaries of the same bank holding company. On that date, First National Bank accounted for about 32 per cent, or the second largest share, of the total deposits held in such banks, two banking organizations accounted for over

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70 per cent of such deposits, and three banking organizations accounted for about 90 per cent of such deposits.

13. Bancorporation is the largest holding company in Colorado which does not have a subsidiary bank operating in Greeley or the Greeley area. Bancorporation has the resources and interest to enter Greeley or the Greeley area by the establishment of a *de novo* bank or by acquisition of a small bank in Greeley or the Greeley area. Bancorporation is one of the most likely entrants into these markets.

14. Bancorporation has applications pending, or has announced plans to acquire, in addition to First National Bank, the following banks: The Exchange National Bank, Colorado Springs, Colorado ("Exchange"); First National Bank, Pueblo, Colorado ("Pueblo Bank"); and The Security State Bank of Sterling, Sterling, Colorado ("Security"). As of December 31, 1969, Exchange, Pueblo Bank and Security had, respectively, total deposits of $50.0 million, $53.5 million, and $24.9 million. In addition, the largest banking organization in the state, United Banks of Colorado, Inc., has an application pending to acquire Colorado Springs National Bank, Colorado Springs, Colorado ("CSNB"), which as of December 31, 1969, had total deposits of $36.0 million. Pueblo Bank, Exchange and First National Bank are respectively the three largest independent Colorado banks located outside of Denver. CSNB is the fourth largest such bank.

15. Bancorportion's leading subsidiary, The First National Bank of Denver, Denver, Colorado ("FNBD"), is the largest bank in Denver, which is the state capital and financial center in the State of Colorado. FNBD is a leading source of correspondent banking services to other commercial banks in Colorado and the surrounding states. Such services are generally provided by a large metropolitan bank to local banks, and they include clearing of checks and other commercial transactions, participation in loans (usually larger loans) with the local bank, providing various forms of investment and other information and advice, providing data processing services, and providing a variety of other financial services which a particular local bank may require. As compensation for such services, the local bank maintains inter-bank deposits with its principal correspondent banks; FNBD holds substantial inter-bank de-

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posits. FNBD has provided correspondent banking services to banks in Greeley and the Greeley area.

IV

Offense Charged

16. Defendants Bancorporation and First National Bank have entered into agreements which will result in acquisition by Bancorporation of 80 per cent or more of the voting shares of First National Bank. On June 9, 1970, the Board of Governors of the Federal Reserve Board granted approval of the proposed acquisition.

17. The effect of the acquisition described in paragraph 16 above may be substantially to lessen competition or tend to create a monopoly in violation of Section 7 of the Clayton Act in the following ways, among others;

(a) potential competition between Bancorporation and First National Bank in commercial banking in Greeley and the Greeley area will be permanently eliminated;

(b) Bancorporation will be eliminated as a potential entrant into commercial banking in Greeley and the Greeley area, either through chartering a new bank or acquiring a small existing competitor;

(c) potential competition will be reduced by the elimination of First National Bank as a potential member of a new holding company capable of entering commercial banking in other areas in the State of Colorado;

(d) Competition for correspondent bank services for the remaining independent banks in Greeley and the Greeley area may be reduced;

(e) This acquisition may trigger similar acquisitions of leading local banks by the leading banking organizations in the state, thereby causing various further anticompetitive effects of the type alleged herein;

(f) Potential competition in commercial banking may be reduced by the continuation of a trend of acquisitions by leading banking organizations in Colorado of independent banks with substantial positions in markets throughout many parts of the state, thereby reducing diversity in banking choices and promoting parallel policies among leading banks in local markets;

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(g) Banking resources in the State of Colorado may be further concentrated in the leading banking organizations in the state, thereby enhancing the power of those organizations in the banking markets in which they operate;

(h) This acquisition combined with the trend of acquisitions by leading banking organizations in Colorado of independent banks with substantial positions in markets throughout many parts of the state will substantially reduce existing competition in providing correspondent banking services in Colorado, increase barriers to new entry into correspondent banking services in Colorado, and effectively foreclose the remaining independent banks in many markets from access to correspondent banking services in Colorado.

PRAYER

WHEREFORE, plaintiff prays:

1. That the agreements described in paragraph 16 of his complaint be adjudged to be unlawful, in violation of Section 7 of the Clayton Act.

2. That defendants and all persons acting on their behalf be enjoined from carrying out the aforesaid acquisition agreements, or any similar plans or agreements, the effect of which would be to merge, consolidate, or in any other way combine the businesses of said defendants.

3. That the plaintiff have such other and further relief as the Court may deem just and proper.

4. That the plaintiff recover the costs of this action.

CERTIFICATION

I, Herbert G. Schoepke, attorney for the Department of Justice, hereby certify that the foregoing allegations and prayers truly and accurately incorporate the allegations and prayers contained in the Complaint of the United States filed July 8, 1970 in the above-entitled cause, as amended by Order of the Court under date of March 5, 1971, granting nunc pro tunc January 15, 1971, Plaintiff's Motion for Leave to File Amended Complaint.

/s/ Herbert G. Schoepke
HERBERT G. SCHOEPKE
Attorney for Plaintiff

Dated: January 15, 1971

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CERTIFICATE OF SERVICE

I, HERBERT G. SCHOEPKE, attorney, United States Department of Justice, do hereby certify that I have on this day served copies of the attached *Amended Complaint* on the attorneys of record for the defendants by mailing copies thereof to

EUGENE J. METZGER, Esquire
Metzger, Schwarz, McKenna & Kempler
One Farragut Square South
Washington, D.C. 20006

and to

EDWARD B. CLOSE, Esquire
Hughes & Dorsey
401 First National Bank Building
Denver, Colorado 80202

/s/ Herbert G. Schoepke
HERBERT G. SCHOEPKE
Attorney, Department of Justice

March 18, 1971

] IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. C-2413

NITED STATES OF AMERICA,
PLAINTIFF,

VS.

IRST NATIONAL BANCORPORA-
ON and FIRST NATIONAL BANK
GREELEY,
DEFENDANTS.

Proceedings before the HONORABLE WILLIAM E. DOYLE, dge, Presiding, United States District Court for The strict of Colorado, Courtroom D, U. S. Courthouse, Den-r, Colorado, commencing at or about the hour of 9:30 clock a.m., Monday May 3, 1971.

PPEARANCES:

HERBERT G. SCHOEPKE, *Attorney*, Department of Justice, Antitrust Division, Washington, D.C., and;

KEVIN D. BRENAN, *Attorney*, Department of Justice, Antitrust Division, Washington, D.C., and;

EUGENE V. LIPKOWITZ, *Attorney*, Department of Justice, Antitrust Division, Washington, D.C., and;

ALAN MALASKY, *Attorney*, Department of Justice, Antitrust Division, Washington, D.C., and;

CAROLYN J. MCNEILL, *Assistant U. S. Attorney*, [2] for JAMES L. TREECE, *U. S. Attorney*, 323 U. S. Courthouse, Denver, Colorado, appearing on behalf of Plaintiff.

EUGENE J. METZGER, *Attorney at Law*, Metzger, Schwarz & McKenna, One Farragut Square South, Washington, D. C. 20006, and;

EDWARD B. CLOSE, JR., *Attorney at Law*, Hughes and Dorsey, 401 First National Bank Building, Denver, Colorado; and;

CARL J. SCHWARZ, *Attorney at Law*, Metzger, Schwarz & McKenna, One Farragut Square South, Washington, D. C., and;

DONALD WILLIAMSON, *Attorney at Law*, of counsel at Metzger, Schwarz & McKenna, One Farragut Square

South, Washington, D. C., appearing on behalf of Defendants.

* * * * *

WHEREUPON, the following proceedings were had, to wit:

* * * * *

[120] HOWARD E. SMITH,

a witness called by and on behalf of plaintiff, having first been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

By MR. BRENAN:

THE COURT: Give us your full name, address and occupation.

THE WITNESS: May name is Howard E. Smith and I am from Windsor, Colorado. Manager of the Colorado Division of Eastman Kodak Company.

Q. (By Mr. Brenan) Mr. Smith, how long have you been with Eastman Kodak?

A. Approximately 37 years.

Q. How long have you been in Colorado?

A. I have been with the Colorado Division since approximately June, 1968.

Q. Where in Colorado is Kodak located?

A. In Windsor, approximately 60 miles north of Denver, about 15 miles equidistant from Greeley, Loveland and Fort Collins.

Q. Would you state why Kodak is presently locating in Colorado?

A. Very soon half of our markets will be west of the Mississippi River and this is the primary reason why we are located here.

[121] Q. And could you describe your facility over there in detail?

A. It's a strictly manufacturing facility. We are building approximately a million and a half square feet. There will be several functions. The first one is to get an operation that will be the finishing of film and paper. Now, this means simply cutting and packing. But to us it is a fairly sophisticated operation. We will also have a distribution center on the site. We will have a plastics and chemical manufacturing building on the site. Just a little bit later on,

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ly six months later, we will have a plate manufacturility.

is a facility for manufacturing synthetized aluminum for the lithographic industry.

nd are there plans for further operations to be o effect?

es, we are looking into the future—we hope to go n our manufacturing operations, starting late this pefully, and we will build a synthetizing manufacturnt. This is the operation whereby we put the light tic emulsion on either film or paper base.

When is it anticipated that—to have production of articular phase of your operation? When will it

here is a long lead time. We will start hopefully this will be 1976 before it is in operation.

Q. How long have you been constructing your fa-

We broke ground in June of 1969.

nd when is it anticipated that the facility will be ted?

t will never be completed. The operations we are about now will start producing January 1, 1972.

Maybe you misunderstood my question. When is it ated that your construction of your facilities there completed? Or, is there?

answered that. The million and a half square feet under construction now will be finished by January ady for production by January, 1972, with the ex- of the plate manufacturing building which will be y July, 1972.

es, but then you mentioned another operation that not be ready now until—I believe you said until

hat's the synthetizing operation. We will start ction of that hopefully in November of this year. re there any further plans for construction beyond

We would hope so, yes, but they're a little bit nebulous ut, the construction would mostly be the base manuig where we would actually manufacture the base, e that you put the light synthetic emulsion on.

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[123] Q. In connection with that facility, Mr. Smith, how much money will be spent for construction in 1971?

A. In 1971 we will spend $47 million.

Q. And does that represent the entire cost of the facility?

A. Hardly.

Q. How many people will Kodak employ at the Windsor site?

A. By the end of this year, by the end of 1971 we will have a thousand employees in total. If you project that out to 1975 we anticipate 2,500.

Q. Are there any projections past 1975?

A. We haven't give any specific projections beyond then. We would expect an orderly growth beyond that point.

Q. In other words 2500 people is about your maximum?

A. No, by no means.

Q. How rapidly will the—will the increase in employment be between the 1,000 at the end of 1971 and the 2500 at the end of 1975?

MR. WILLIAMSON: Objection. Counsel is testifying. Utilizing words which he has no foundation for.

THE COURT: Overruled.

Do you understand the question?

THE WITNESS: I didn't hear the other comments.

But in answer to your question it will be more or [124] less a straight line growth from 1971 through 1975.

Q. Do you presently have any employees at the Windsor site?

A. Yes, we have about 400 on the payroll now. Approximately 300 of those are at the Windsor site. The remaining people are back in Rochester. Some of them being in training.

Q. How many of those people are from Colorado?

A. Roughly half of them at the moment are from Colorado.

Q. Would you state for us what type of employees you have hired and will be hiring for your facility?

A. We will hire employees with skills all the way from those who are just trainable through those who have college degrees, technically trained people.

Q. And where are the employees which you have already hired? Will those come from——

A. I want to be sure we separate Colorado employees

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sus Rochester employees. The Colorado employees that are employing now from Colorado are from the triangle a, Loveland, Fort Collins and Greeley. And all places between. On occasion one—we will get one from a little ther.

Q. Do you anticipate that the employees that you will be ing in the future will come from the same area?

5] A. In general we would expect they would come m the same area based on our applications.

Q. How many applications have you had?

A. Well over 11,000 so far.

Q. Has your company set up any training programs for ir Colorado facility?

A. Yes, we have training programs in Rochester that I ided to a moment ago and this is for training technicians l training people in the various skills. We also are ting up training programs out here in Windsor to train in technicians and trades people. We will be setting up nagement training programs as we get more of our nagement people in operation so to speak. We are also rking with Aims College to set up training programs h them.

Q. Where is Aims College located?

A. Aims College is in Greeley.

Q. Describe the training program you will be setting with them.

A. With Aims College we will be setting up academic ining programs, if you will, for the skilled trades people. e on-hand training, so to speak—we will have to do rselves because they are not yet equipped to do that. However, you will have to teach them mathematics or in case of chemists, chemistry. This kind of thing, we will end on Aims to help us with.

6] Q. When is it anticipated that production will ac-lly start at the Windsor site?

THE COURT: January, 1972.

A. January, 1972.

Q. Mr. Smith, once production is started in what way it be increased? How rapidly will you increase produc-n?

A. I guess I can't give you a good answer to that. It be more or less in proportion to the number of people ire.

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THE COURT: How soon do you think you will be in full swing?

THE WITNESS: Well, we will be in full swing in January of 1972 with all the things that we have talked about here. Does that answer your question?

Q. (By Mr. Brenan) I think so. I think what I was driving at was whether there was going to be a start of one thing now and then a long delay before an additional increase in production.

[127] A. There won't be a long delay. As I said, our employment will be more or less straight through up until 1975 and we will be adding service-type functions in the period between 1971 and 1976, if you will.

Q. What geographic area is this facility designed to serve?

A. Well, primarily the area west of the Mississippi.

Q. Are there any additional areas?

A. Well, you obviously can't balance your production to serve just that area so we will be shipping back—some back to the eastern part of the country and some, in fact, will go overseas, just to balance out production.

Q. Thank you.

MR. BRENAN: I have no further questions, Your Honor.

CROSS-EXAMINATION

By MR. SCHWARZ:

Q. Mr. Smith, I believe I heard you say that by the end of 1975 you estimated about 2500 people will be employed?

A. Correct.

Q. How many out of that 2500 people will come from the East?

MR. BRENAN: I don't think that question is clear. What does he mean by the east?

Q. East of the Mississippi.

[128] A. You mean from Rochester?

Q. Okay.

THE COURT: Back East, you mean?

THE WITNESS: We estimate 250 people—approximately 250 will come from Rochester. For the most part those will be here by the end of this year. There will be an odd one coming but essentially all will be here this year.

BOOK TOO LARGE FOR FILMING–PO

Q. And the remainder of all those employees will be drawn from the indigenous population already from the Colorado area?

A. Yes.

Q. Is it true most of the financing—not all of the financing for this plant was obtained from financial institutions in the East?

MR. BRENAN: Object to that, Your Honor. Completely outside the scope of cross-examination. Irrelevant to any testimony.

MR. SCHWARZ: He asked how much it cost and I'm trying to find out where the financing came from. This is a case involving banking in Colorado.

THE COURT: True, but I can't see where it has very much probative value.

MR. SCHWARZ: The implication from the question that Mr. Brenan brought out is that this $47 million—was that some if not all of its financing was obtained here locally. I wish to squelch that implication.

[129] THE COURT: I didn't get that impression. It seemed to me that the object here was to show the impact of this large number of people in the area and what effect it will have on the banking facilities. I don't think he sought to establish that the banks financed or were in the process of financing this building.

MR SCHWARZ: All right. I'll accept that.

Q. Mr. Smith, of the people that have come from the East, new people to work in your plant, do you know how many have settled in the Greeley area?

A. Are you speaking of those who come from Rochester now?

Q. Yes.

A. I think it's only five.

Q. Out of a total of how many?

A. About 160 have committed themselves. Now, they're not all located yet but about 160 have committed themselves to living in Colorado and of those five are in Greeley. The bulk of the rest of them are in Loveland and Fort Collins.

[130] Q. Would you expect the percentage trend of settlements in Greeley to continue?

. . . . .

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A. Based on the information we have, I see no reason for this ratio to change with respect to those people coming from Rochester.

Q. Do you know why so few settle in Greeley?

A. This is opinion. The Number One problem is odor. There are others, proximity of the mountains in Fort Collins and Loveland, if you will, but primarily the reason they haven't settled in Greeley is because of the odor. The people in the East are not used to it.

THE COURT: You mean from the stockyards.

THE WITNESS: Yes.

THE COURT: And the packing plant?

THE WITNESS: Stockyards, and I would imagine the sewage treatment plant, too.

MR. SCHWARZ: No further questions.

REDIRECT EXAMINATION

By MR. BRENAN:

Q. Mr. Smith, on cross you stated that not very many of the people who are moving out from Rochester are actually living in Greeley. In your opinion, will the location of your facility in Windsor have any economic effect on the city of Greeley?

A. Of course, it will, yes. Sure, it will, because as we hire people here in Colorado there will be a lot of Greeley people I am sure—Greeley residents, who will be working for us.

THE COURT: He is talking about the Rochester people. The percentage would be about the same.

MR. BRENAN: Yes, sir, I know.

THE COURT: He says the Colorado people don't mind the odor. They are used to it.

Q. Well, will your plant itself have any economic effect on the city of Greeley?

A. I guess the greatest economic effect is that the general contractor for the project is a Greeley contractor and that's pretty good economic impact, and, of course, we will be using—we will be using service industries as we [132] go along for supplying us with some of these items of raw materials that we don't make ourselves.

Q. You mean service industries in Greeley?

A. There will be some in Greeley, I'm sure, as well as Denver and other areas, yes.

MR. BRENAN: No further questions.

MR. SCHWARZ: No further questions, Your Honor.

THE COURT: All right, you may be excused then Mr. Smith. By the way, where do you live?

THE WITNESS: We live north of Windsor about three miles on a hilltop. We don't mind the odor so much.

THE COURT: Thank you.

* * * * *

[138] GEORGE P. EVANS,

called as a witness by the plaintiff, being first duly sworn, on his oath testified as follows:

THE COURT: Give us your name, address, and your occupation, Mr. Evans.

THE WITNESS: George P. Evans, Greeley, Colorado. I am executive vice president of the Greeley Chamber of Commerce.

DIRECT EXAMINATION

By MR. BRENAN:

Q. Mr. Evans, what are your duties as executive vice president of the Greeley Chamber of Commerce?

A. Supervision of the staff and overseeing the conduct of the daily program, usual management duties.

Q. And what are the functions of the Chamber of Commerce?

A. Generally speaking, economic development, progressive development of the community.

Q. Are you familiar with the City of Greeley and its surrounding communities?

A. Reasonably so.

[139] Q. Where is Greeley located?

A. Greeley is located approximately 50 miles north of Denver on Highway 85. It is in approximately the middle of Weld County and is the county seat of Weld County.

Q. What is Greeley's economic base?

A. Well, historically, Greeley's economic base was agriculture in many of its forms. It still is to a great extent.

Greeley also has quite a bit of manufacturing and otherwise employment related with manufacturing and it is an educational community as well.

Q. Is it as agriculturally oriented now as it has been historically?

A. Yes.

Q. Is there any manufacturing in Greeley?

A. Yes, there is.

Q. Is there more manufacturing in Greeley now than there was, say, ten years ago?

A. Yes, there is.

Q. Who is the major employer in Greeley?

A. At the present time the largest payroll is held by Monfort of Colorado, approximately 1,400 employees.

Q. Could you generally describe Monfort of Colorado's operations?

A. They are a cattle feeder primarily and they have a packing plant in which cattle, sheep and lambs are killed [140] and processed, shipped out.

Q. Do you know how many head of cattle they maintain in Greeley at one time?

A. Approximately 200,000.

Q. Are there other similar businesses to Monfort in Greeley?

A. To the extent that they feed cattle, yes, there are. There are no other major packing plants in Greeley.

Q. How many other feedlot operations are there in the town?

A. I am sorry, I don't know.

Q. Are there any colleges in Greeley?

A. Yes, there are two, University of Northern Colorado and Aims College.

Q. What is Aims College?

A. Aims is a two-year community college, primarily vocational in thrust.

Q. And what is the current enrollment at these colleges?

A. At the University of Northern Colorado, approximately 10,500, and Aims College, approximately 1,300.

Q. Are all of these students included in the 1970 census population figure for the City of Greeley?

A. No, they are not.

THE COURT: The 38,000 is permanent population?

THE WITNESS: Yes, Your Honor, that's my understanding [141] of it, the way the Census Bureau split them up.

Q. Are there any governmental offices located in the City of Greeley?

A. Yes, there are. The Greeley—Greeley is the county seat of Weld County. Therefore, all or a good portion of the county's employment is in Greeley proper. There are some state offices there, Bureau of Revenue, Highway Patrol, this sort of thing, and a few federal government offices as well.

Q. Are there also city government buildings?

A. Yes. Yes, there are.

Q. Are there any cultural groups or associations in the City of Greeley?

A. Yes, there are.

Q. Could you enumerate them and describe them briefly?

A. Quite briefly, most of them are based around the University. The Greeley Philharmonic Symphony is a rather well-known cultural activity. The theater groups, the musical groups and so forth that perform are usually university oriented, University of Northern Colorado oriented, although they do perform for the general public both in Greeley and the area.

Q. What is the City of Greeley's relationship to the towns which are located near it?

A. Well, it is the seat of government for the county. [142] Therefore, county business is conducted in Greeley for the towns in the—in Weld County. It also provides a great amount of the cultural activities that go on in the county and the bulk of the medical facilities are located in Greeley. Weld County General Hospital is in Greeley and the practicing physicians that are on the staff of Weld County General are basically officed in Greeley.

Q. Now, where is the town of Evans?

A. It is immediately south of Greeley. Its northern city limit is contiguous with Greeley's southern city limits on Highway 85.

Q. What's the economic basis of the town of Evans?

A. Basically agricultural.

Q. Are the residents of Evans dependent on Greeley in any way?

A. Yes, they are.

Q. Could you describe in what way they are dependent on Greeley?

A. Well, generally cultural, medical, governmental services. That is county governmental services. The bulk of the retail activity would go on in Greeley. Their retail area is not defined heavily enough to provide all the services needed in a retail community.

Q. And where is La Salle?

A. La Salle is immediately south of Evans on Highway [143] 85, as well separated from Evans by the river there. Their city limit lines are not contiguous.

Q. What is the economic base in La Salle?

A. Again agricultural. They have a small amount of manufacturing in the community as well.

Q. Are the residents of La Salle dependent on Greeley?

A. Yes, in the same general way as are the residents of Evans, with the exception that the retail activity of La Salle is a bit more pronounced than it is in Evans.

Q. Are they still, however, dependent for retailing on Greeley?

A. Yes.

Q. Where is Peckham?

A. Peckham is on Highway 85 south of La Salle. Actually it is a crossroads. It is not much of a community.

Q. What is its economic base?

A. Agricultural.

Q. Are the residents of Peckham dependent on Greeley?

A. Yes, they would be for the same services La Salle and Evans would be.

Q. Are they dependent on Greeley for retail?

A. Yes.

• • • • •

[144] Q. Forgive me if I repeat a question, but are the residents of Peckham dependent on Greeley for retail?

THE COURT: Yes, he said yes.

Q. Where is Kersey?

A. Kersey is east of Greeley on Highway 34.

Q. What is its economic base?

A. Agricultural.

[145] Q. Is it dependent on Greeley?

A. Yes, it is.

Q. For retailing?

A. In the same way that Evans and La Salle and Peckm would be, yes.
Q. Where is Gill?
A. Gill is in the southern part of the county. I am sorry an't place it exactly on the highway.
Q. Are you familiar with the economic base of Gill?
A. Yes, it's agriculture as well.
Q. And would the same——

THE COURT: Well, is this a makeup of the Greeley area at you are having him describe?
MR. BRENAN: Yes, sir.

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46] THE COURT: Well, so far he hasn't testified about nking.

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47] THE COURT: Well, he is not succeeding in showing at it's a banking area so far.

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THE COURT: He said he could not tell you anything about ll; where it's located.
Is that right?
THE WITNESS: That's correct. sir.
THE COURT: Which other ones have you got?
MR. BRENAN: We've got in the Greeley area, Eaton, Lurne, Farmers and Bracewell.
48] THE COURT: Are you able to testify concerning ose towns?
THE WITNESS: Yes, sir, I am.
THE COURT: All right. Eaton is in Larimer County, isn't

THE WITNESS: No, sir. It's north of Greeley, on Highway between Greeley and Cheyenne.
THE COURT: It's closer to Fort Collins?
THE WITNESS: No, sir, it's only eight miles out of Greeley.
THE COURT: Okay. I don't know too much either. I can't te judicial notice of Eaton although I've been there.
THE WITNESS: You have been to Erie and I haven't, so 're even.

Q. (By Mr. Brenan) On the subject of Eaton, could describe the nature of Eaton's economy?
A. Basically agricultural.

Q. Is it dependent upon Greeley for retail services as the others?

A. Yes, in the same general ways of LaSalle and the others.

Q. Where is Lucerne?

A. Lucerne is between Eaton and Greeley. And it's more or less a crossroads. It is a commercial area to a very limited extent.

[149] Q. Are the residents of Lucerne dependent on Greeley for the same retail services as the people in the other towns?

A. Yes, they are.

Q. Maybe we can shorten this. Would the same be true with the residents of Farmer and Bracewell?

A. Yes.

Q. Mr. Evans, would you consider these communities satellite communities of the City of Greeley?

A. I'd like to ask you to define what you mean by satellite?

Q. Well, in the sense that they are dependent upon the city?

A. Yes, in that sense, they are.

Q. Would you describe the nature of the economy in the City of Ault—the Town of Ault? Excuse me.

A. Well, it's basically agricultural as well as the rest of them are.

Q. Are there—is there retailing in Ault?

A. Yes.

Q. Are the residents of Ault as dependent upon the City of Greeley for retailing as the residents of these other communities?

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[150] The Witness: If you're asking if the residents of Ault are as dependent—or are—excuse me—are dependent upon Greeley for retail services, yes. I'm not qualified to make a comparison.

• • • • •

Q. Is there more retailing in Ault than there is in the other communities to the extent that the residents there are not as dependent upon Greeley as for instance the residents of Farmer, Lucerne?

A. If you say specifically Farmers and Lucerne, there

[151] is more retailing in Ault, yes. They are less dependent upon Greeley as compared to Farmers and Lucerne.

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Q. Mr. Evans, do you know the economic base of Johnstown?

A. Yes, it's basically agriculture.

Q. Is there any retailing there?

A. Yes, there is.

Q. Is there more retailing there than in the towns immediately surrounding Greeley?

A. Some, there is, and some, there is not. Some of the communities that you have mentioned are quite small and Johnstown has a better defined retail community than they.

Q. Mr. Evans, would you describe Johnstown as a satellite community of Greeley?

[152] A. In the general sense that we established a while ago, yes.

Q. Are you familiar with the economic base of Windsor?

A. Yes.

Q. What is the economic base?

A. Basically agricultural; historically agricultural.

Q. And is there a retailing—is there retailing done in the Town of Windsor?

A. Yes, there is.

Q. Could you describe to what extent there is retailing in Windsor?

A. Windsor is a self-serving community in that regard. Most of the major items of retailing can be purchased in Windsor.

Q. Are you familiar with the Town of Fort Lupton?

A. Yes, sir.

Q. What is the economic base of Fort Lupton?

A. Again, agricultural.

Q. Is there retailing in Fort Lupton?

A. Yes, there is.

Q. Would you describe the nature of that retailing?

A. Well, it's again like Windsor; basically a self-serving town for retail activity.

[153] Q. Are you familiar with the economy of Keenesburg?

A. No, sir, I'm not. I know generally that it is an agricultural area.

Q. And are you familiar with the economy of Erie?

A. No, sir, not as much as His Honor is.

THE COURT: You didn't play baseball there on Sunday.

Q. Are you familiar with the economy of Hereford?
A. Just generally; that it is an agricultural area, a ranching area.
Q. Does it have any retail activity of its own?
A. To a limited extent it does, yes.
Q. Are the people in Hereford dependent upon the City of Greeley for retail services?
A. That would call for speculation on my part. I'm not sure. It would be my supposition that they would be but——

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[157] CROSS-EXAMINATION

By MR. SCHWARZ:

Q. Mr. Evans, how long have you lived in Greeley?
A. Since June 22, 1970.
Q. That is how many months? Eight months?
A. Ten months.
Q. Where did you live before that?
A. Carlsbad, New Mexico.
Q. Do you consider yourself an expert on the Greeley area?
A. Not an unqualified expert, no, sir.
Q. Do you believe that ten months' residence in Greeley qualifies you to make distinctions about which towns are more or less dependent on Greeley than others in the area?
A. Not fine distinctions, no, sir.
Q. Have you made studies on this particular question of which towns are more or less dependent on Greeley than others?
A. In a nonacademic, rather casual manner, yes.

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[158] Q. Mr. Evans, can one assume that the great bulk of the members of the Chamber of Commerce would come from Greeley?
A. Yes.

• • • • •

[160] MR. METZGER: Your Honor, this is a factual point. If we can have a letter from Mr. Freeman to the effect that

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the student population is counted, can we have the record corrected to show the facts as they are?

THE COURT: Yes. Surely.

MR. SCHOEPKE: I wouldn't object to that.

THE COURT: That's fine; whatever the fact is.

MR. SCHWARZ: No further questions.

REDIRECT EXAMINATION

By MR. BRENAN:

Q. Mr. Evans, do you feel that ten months in the City of Greeley in the capacity in which you function there are enough to know generally the economy of the area?

A. Generally, yes.

Q. And do you know why most of the members of the Chamber of Commerce come from the City of Greeley?

A. Well, obviously as our area of primary concern—this is where we do most of our solicitation for members.

MR. BRENAN: No further questions.

THE COURT: You may be excused, then, Mr. Evans, from further attendance.

(Witness excused.)

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[164] IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. C-2413

UNITED STATES OF AMERICA,
PLAINTIFF,

VS.

FIRST NATIONAL BANCORPORATION and FIRST NATIONAL BANK OF GREELEY,
DEFENDANTS.

Proceedings before the HONORABLE WILLIAM E. DOYLE, Judge, Presiding, United States District Court for the District of Colorado, Courtroom D, U. S. Courthouse, Denver, Colorado, commencing at or about the hour of 9:00 o'clock a.m., Tuesday, May 4, 1971.

APPEARANCES:

HERBERT G. SCHOEPKE, *Attorney,* Department of Justice, Antitrust Division, Washington, D. C., and;

KEVIN D. BRENAN, *Attorney,* Department of Justice, Antitrust Division, Washington, D. C., and;

EUGENE V. LIPKOWITZ, *Attorney,* Department of Justice Antitrust Division, Washington, D. C., and;

ALAN R. MALASKY, *Attorney,* Department of Justice, Antitrust Division, Washington, D. C., and;

CAROLYN J. MCNEILL, *Assistant U.S. Attorney,* [165] for JAMES L. TREECE, *U. S. Attorney,* 323 U. S. Courthouse, Denver, Colorado, appearing on behalf of Plaintiff.

EUGENE J. METZGER, *Attorney at Law,* Metzger, Schwarz & McKenna, One Farragut Square South, Washington, D. C. 20006, and;

EDWARD B. CLOSE, JR., *Attorney at Law,* Hughes and Dorsey, 401 First National Bank Building, Denver, Colorado; and

CARL J. SCHWARZ, *Attorney at Law,* Metzger, Schwarz & McKenna, One Farragut Square South, Washington, D. C.; and

DONALD WILLIAMSON, *Attorney at Law,* of counsel at Metzger, Schwarz & McKenna, One Farragut Square

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South, Washington, D. C., appearing on behalf of Defendants.

* * * * *

WHEREUPON, the following proceedings were had, to-wit:

* * * * *

[166] RICHARD G. WALSH,
a witness called by and on behalf of plaintiff, having first been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

By MR. SCHOEPKE:

THE COURT: Give us your name, address and occupation, please.

THE WITNESS: My name is Richard G. Walsh. I live in Fort Collins, Colorado. And I am a teacher and an economist.

THE COURT: Do you have a written statement as to his background and qualifications?

MR. SCHOEPKE: Yes, we do, Your Honor.

Q. (By Mr. Schoepke) Mr. Walsh, I show you what has been marked Plaintiff's Exhibit No. 39 for identification and ask if that is a summary of your background and experience.

A. It is. The first half of it was prepared in the year 1967 and the last half was prepared on October 16, 1970, as dated.

Q. Did you prepare those summaries?

A. I did. And they were accurate as prepared.

Q. Mr. Walsh, there is just one detail on that summary [167] I'd like you to clarify for a moment if I may, on the second page. The summary Item No. 5 indicates that you prepared for a law firm in Salt Lake City expert testimony for presentation in a private antitrust suit.

Now, I would like to ask you if you would give us a little more detail on that. Did you actually ever testify in that particular lawsuit?

A. No. This vita was prepared with the intention to testify. However, the case had not yet been before the court. After preparing the study in the case, the case was settled out of court and I never did appear.

Q. And have you ever appeared as an expert witness in any litigation?

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A. No, I have not.

MR. SCHOEPKE: Your Honor, we offer Plaintiff's Exhibit No. 39 for identification in evidence.

MR. METZGER: No objection.

THE COURT: It will be received.

(Whereupon, Plaintiff's Exhibit No. 39 was received in evidence.)

MR. SCHOEPKE: We ask that Dr. Walsh be qualified as an expert in the—in industrial organization.

* * * * *

[169] VOIR DIRE EXAMINATION

By MR. SCHWARZ:

Q. Dr. Walsh, as this is a case involving the acquisition of a bank by a bank holding company and since your proposed testimony is outlined in the answers to the interrogatories served in the case that your testimony will consist of many opinions regarding banking, the structure of banking markets and the competitive interaction between banks, can I take it that you are being offered here as an expert on those subjects.

A. Well, I am being offered as a——

THE COURT: If you know.

Q. Answer the question. It is a very simple question.

THE COURT: If you know.

A. I am being offered as an expert in the field of industrial organization.

Q. That's not my question. Are you being offered as an expert on banking, the structure of banking markets and the competitive interaction between banks, the subject of which your testimony is supposed to be concerned.

A. That question has several parts. I don't believe I am being offered as an expert on banking. I am being offered as an expert on banking market structure and the relationship between banks.

Q. Then the answer to my question is yes, you are being offered as an expert on the structure of banking markets and [170] the competitive interaction between banks, is that correct?

[171] Q. Dr. Walsh, did you prepare the second supplemental government's answer to our interrogatory regarding your testimony?

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A. Yes, I did.

Q. Then you are aware, of course, that there are many areas in here that state that you will testify as to [172] banking structure, the structure of banking markets and competition in banking, is that correct?

A. That is correct.

Q. Your answer to my original question then I believe, if I may clarify it, you do offer yourself as an expert on those subjects?

A. Right.

Q. Do you have any degrees in banking, sir?

A. I have a degree in economics.

Q. Do you have any degrees in banking economics?

A. No.

Q. Have you ever taught banking?

A. Yes, in part.

Q. In part? Banking? Would you explain what part?

A. Money and banking is a part of most courses in economics and I have taught in the field of economics for a dozen or more years.

Q. Have you taught banking then?

A. Some—not a specific course in banking, but in economics we deal with banking as a part of general commerce and industry.

Q. But you have not taught banking?

A. No, I don't claim to be a banking expert in the detailed day-to-day operations of a bank.

Q. You are, I understand, offering yourself as an [173] expert in banking markets and banking——

MR. SCHOEPKE: Again, I must object, Your Honor. He is not——

THE COURT: Sustained.

Q. Have you ever worked for a bank regulatory agency?

A. I have not.

Q. Have you ever worked for a bank?

A. No.

Q. Have you ever testified on the subject of banking?

MR. SCHOEPKE: He has answered he has never testified in any case at all.

MR. SCHWARZ: All right. I withdraw the question.

Q. Now, how then if you have not had such experience

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in banking would you know what a typical banking market is?

A. Well, the field of industrial organization deals with all industries and lines of commerce. I have studied the materials prepared by the government and prepared by the bank in this case. I don't feel that banking markets are so different as a topic from other kinds of markets that one specializing in the field of industrial organization cannot deal with it.

* * * * *

[175] Q. May I ask if all your publications have been in food related or agriculture publications or on that subject?

A. Nearly all my publications have been on the subject of industrial organization, many of which have been applied to the agricultural industry, the agricultural processing industries, the agricultural marketing industries, but the general topic is the field of industrial organization.

Q. Well, may I ask if you agree with this quotation: "The choice of criteria for bank holding company expansion cannot be settled by simple analogy to industrial merger policy."

A. Would you repeat that?

Q. "The choice of criteria for bank holding company expansion cannot be settled by simple analogy to industrial merger policy." Do you agree with that?

A. Yes, convenience and need has to be considered.

Q. No, I am speaking strictly with regard to the competitive aspects of it. Do you agree with that quotation as far as the competitive aspects of this case is concerned? Isn't it true that you are saying that you are qualified to speak to the specific questions of bank holding company expansion and banking markets on the basis of industrial—general industrial merger policy?

A. Correct.

[176] Q. Then you disagree with this quotation?

A. Read it again.

Q. I will read it again. "The choice of criteria——"

THE COURT: Never mind. Let's get on to the next one, please. I mean, you pursue it, as many as you like, to suit your sufficiencies and make your record.

MR. SCHWARZ: Well, Your Honor, I believe by Dr. Walsh's own statements he is not an expert in banking

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markets, banking competition and the subjects with which he is scheduled to testify and assumedly will testify, and on that ground I move that his testimony be excluded as not qualified expert testimony. I have some authority, if Your Honor cares to hear me on that subject.

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[177] MR. SCHWARZ: It is not his veracity, as I said, and I don't doubt his expertise in his particular field of expertise. As I understand it, he has referred to himself as an agricultural economist quite recently in some of the publications. Now, I don't doubt his qualifications in that area, but this is an entirely different subject. Banking has its own problems, its own competitive milieu, which we must examine, and we can't examine them in relation to broiler chickens, which he has written on, or macaroni manufacturing. It has particular, important differences. For that reason, I submit he is not qualified to give expert opinions which will go in the record on this case on that subject.

[178] The plaintiff, I might add, has on his staff two expert witnesses, whom although we do not agree with their views, we do not doubt their qualifications to speak on the subject of banking markets, Dr. George Hall and Dr. Harry Johnson.

THE COURT: Do you wish to make a statement?

MR. SCHOEPKE: Well——

THE COURT: Regarding the reason for submitting him? What are his particular qualifications? You know him better than I do. Why is he qualified?

MR. SCHOEPKE: He is qualified, Your Honor, because he is qualified and we have offered him as an expert in the field of industrial organization and market structure analysis, which is, as he himself has just briefly set out, a field, specialized field of economics, that deals with all industries, and the same type of analysis, same basic analysis, concentration of competitors in the markets, the relative market shares and the effect of these market shares and the concentration of market shares among the few competitors, the basic effect that this has on competition.

These are all of the things that the courts in the various Section 7 cases that we have noted in our briefs, these basic market structure elements, are the things that the courts have emphasized in their various Section 7 opinions, and

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industrial organization is a field that Dr. Walsh has [179] specialized in, and it is a field that applies the same analysis to all industries. He is not a banking expert in the sense that he can take the stand and explain how you run a bank from the inside or how you organize a credit department or things of that sort, or he is not a financier. He is an industrial organization man concerned with market structure analysis and all of the banking cases and the Philadelphia case indicate that this is one of the basic elements in judging the competitive implications of a banking consolidation, and that is what he will testify to.

THE COURT: Very well. The objection is overruled. He may testify.

* * * * *

[181] Q. (By Mr. Schoepke) Now, Dr. Walsh, you have already indicated that you specialize in the field of economics in a field known as industrial organization. Could you tell us briefly what this field of industrial organization is?

A. Well, I can tell you what people do who work in the field. We study the relationship of buyers to each other and buyers to sellers. Sometimes the field is called market structure analysis.

Q. All right, now, in considering the problems that you deal with, what factors in general do you take into account?

A. What factors or what problems?

[182] Q. What problems?

A. Well, basically the problems, I think, of competition and monopoly; the extent of competition and monopoly. Their impact. How they affect the prices that we pay for everything; the quality of products. How they affect the distribution of power in the economy; not only economic but political, and I think the antitrust laws are developed in response to this distribution of power and I think industrial organization economists have made an important contribution to understanding these important problems.

Q. Well, now, is this field of industrial organization a field that is recognized among economists as a field of specialization?

A. It is.

Q. And is it related to any one particular industry?

A. No, it's—it cuts across all industries. No, it's no more

related to the agricultural process industries than to commerce and trade or to the basic manufacturing industries. It cuts across all industries.

Q. Now, you mentioned, I believe, a moment ago that industrial organization was concerned with market structure. Now, from that standpoint of the specialty known as industrial organization, how do you determine market structure.

A. Well, first you determine the industry, the particular product or the particular service that is offered by that [183] industry. And then we measure the market area, that is, the extent of the industry. Is it local or is it regional or is it national? And then we identify the firms in that industry and their relationship to one another.

Q. Well, in the field of industrial organization analysis, why is market structure significant?

A. Well, because it's related to their relative size, one to the other.

Q. And why is that of significance?

A. Well, their relative size determines their market power. The larger the size the more the market power; the smaller the size relative to the market, the less the market power.

Q. Now, when you measure relative market power as you express it of the various firms in a particular industry, do you have any particular phrase that you apply to the measurement after you have completed it?

A. The most frequent measure, although there are several, is concentration ratio.

Q. What do you mean by concentration ratio?

A. Well, the concentration ratio is the share of the market controlled by the leading firms.

Q. Now, in market structure analysis, how do you go about measuring the degree of concentration ratios?

A. Well, it depends on the particular industry and [184] the statistics that are available; the share of overall sales, the relative total assets, the share of plant capacity controlled by the largest single firm, perhaps the largest two firms, the largest three, four, the largest eight; even the largest 20.

Q. Now, directing your attention to the field of banking, how would you as an industrial organization specialist go about measuring the degree of concentration in banking?

A. Well, you would apply the general terms, the total assets, the deposits or loans of various kinds. These tend in general to correspond, to move in parallel ways.

Q. Now, why is the matter of concentration important in market structure analysis?

A. Well, because the number of firms and their relative size, one to another, is basic to determining the degree of competition in the market.

Q. I wonder if you could expand on that?

A. As I said before, the more concentrated the market is among the leading firms, the less likely the market is to be competitive.

Q. Well, could you tell us why in the view of industrial organization economics a concentrated market tends to be less competitive than a smaller concentrated market or an evenly-divided market?

A. Well, because of the relative power of the largest [185] firms versus the smaller ones. They can engage in more—are more likely to engage and have a capability to engage in parallel policies, for example, price leadership or service leadership of a dominant firm; where others fall, and this kind of behavior. A single firm is less likely to take independent action—competitive action in a market that is dominated by a few large sellers. You are more likely to get a cooperative kind of competition, a parallel action; we often say a live-and-let-live kind of relationship between the firms.

Q. Now, are there any mathematical guidelines for measuring concentration during the course of market structure analysis?

A. Well, there are, but it's very difficult. There are some guidelines by Bain, who is a leader in the field of industrial organization, Joe Bain. Some guidelines by Kaysen and Turner in their book, "Antitrust Economic Policy," a 1959 book, and there are some guidelines by Stigler, who is also an expert in the field of industrial organization. Probably the most widely-accepted guideline is from Kaysen and Turner, that when the eight largest firms make at least 50 percent of the market sales, then that market is concentrated. And this has some validity in industrial organization. Of course, if less than eight firms control 50 percent or more of the market, then the market is very concentrated. If [186] eight control more than 50 percent, again, it is more

than just concentrated. It's very concentrated. I think it's important to recognize in using these kinds of guidelines that they necessarily involve a comparison between the leading firms in the market and the total number of firms. That is, I think, the source of their validity.

Q. Dr. Walsh, does the theory of market structure analysis have any ultimate purpose?

A. Yes, the more widely dispersed and evenly distributed the market shares and hence power—market power, the more likely is competition to be effective.

Q. Now, in the field of your specialty in industrial organization and market structure analysis do you ever have occasion to consider corporate mergers or acquisitions?

A. Yes. I have studied and lectured on them at great length. The industrial and commercial history of the United States has been chaarcterized by merger movements.

Q. I wonder if you could just describe them very briefly.

A. One was from about 1897 to 1901 or 1902 and this was when the great trusts were put together. The steel trusts, tobacco trusts, meat packing trusts. The 1920s was a period of consolidation of firms throughout the country, leading to various consumer product lines such as baking, dairy, canning, and from 1947 to the current time, which is [187] the largest and most significant in terms of assets involved, kind of—all merger movements, and even Fortune magazine has expressed alarm at the transformation of industrial—of our industrial society by this movement.

Q. Now, as a result of your study and lecturing on merger movement or the three that you have just described, did you arrive at any conclusion as to the standards, if any, which should be utilized in judging the competitive significance or particular corporate acquisitions or mergers?

A. I have arrived at about the same conclusions as most everyone else in the field of industrial organization; that one must look primarily to market structure changes; what kinds of market structure changes,—changes in the rank of the firms, changes in their concentration, the merger history and trend in mergers and finally the effect of those mergers in actual competitive or potential competitive terms.

Q. Can you think of any other factors that you consider important?

A. Well, there are probably other factors.

Q. Have you exhausted your recollection?

A. Yes.

Q. How about the issue of actual and potential competition between the combining organizations?

A. Well, I perhaps didn't make that clear. That is [188] the ultimate consideration of any kind of merger; what are the competitive and related factors of that merger?

Q. Now, have you made any studies of any particular mergers in the course of your career?

A. Yes, I have, quite a few. As the defense counsel charged, most of these studies of mergers were in the food processing and baking and flour industries. Also, I have studied mergers in the chemical nitrogen industry.

Q. Have you had occasion to study the acquisition involved in this case, that is, the acquisition by the First National Bancorporation of Denver of the First National Bank of Greeley?

A. Yes, I have.

Q. Would you tell us what, if anything, you considered in connection with your study of this case?

A. Well, in addition to my general background knowledge of the field of industrial organization, I studied the applications of the Federal Reserve Board in the proposed mergers in Greeley and Colorado Springs and Sterling. I studied the Federal Reserve Board decisions in these acquisitions. I studied the banking statistics prepared by the government on these areas and on the total State of Colorado.

I studied economic growth statistics on these areas and those in the State of Colorado, again. And, the [189] documentary material of the banks, including their answers to requests for information and so forth.

Q. Now, in your analysis of the particular transaction that is the subject matter of this case, what industry did you use?

A. I used commercial banking.

Q. Could you tell us very briefly why you used commercial banking as the appropriate industry?

A. Well, I am no lawyer, but one reason was because of the ruling of three Supreme Court cases. I think the Supreme Court has ruled and it has been brought out before that in judging the line of commerce of this kind of merger an appropriate line was commercial banking.

Mr. Metzger: May I object to this witness testifying in this area. This is the distribution of the legal aspects of the

case. He can testify as an industrial—as to industrial economics and his theories drawn therefrom and not as to the meaning and content of the opinions of the court.

THE COURT: Sustained. I will take judicial notice of the fact as to anything that is in the decisions, including whether banking is a line of commerce.

MR. SCHOEPKE: Your Honor, I asked him to state it very briefly just as the reason that he utilized in his field. It is not my intention for him to——

[190] THE COURT: Well, he answered it. He said based on the laws as he understands it. That's all.

Q. Now, I believe you testified a moment ago, Dr. Walsh, that in analyzing the competitive effects of mergers and their significance with regard to market structure, that one of the other things that you took into account was the particular area affected that was the appropriate area within which to measure the competitive impact of the merger, and I wonder if you would tell us—did you choose any particular area within which to judge the competitive impact of this particular merger?

A. Well, I looked at the primary service area of the banks as the relevant geographic market.

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[201] Q. Now, Dr. Walsh, in connection with your analysis of the competitive implications of the Greeley acquisition itself, did you give any consideration as to whether or not there existed any direct competition between First National Bank of Greeley and the Bancorporation?

A. Yes, I did.

Q. And what materials did you consider in connection with your analysis of this particular point?

A. Well, again, I examined the same documents as before, the application to the Federal Reserve Board of the First National Bancorporation to acquire the Greeley bank, and I included examining the sources of business information prepared by the Government from the interrogatory of the defense.

Q. Dr. Walsh, I show you Plaintiff's Exhibit for Identification No. 45, 46, 47, 48, 49, 50, 51, 52, and 53, and ask if you utilized these documents in connection with your analysis of the existence of direct competition if any [202] between the Bancorporation and the First National Bank of Greeley?

A. Yes, I did.

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[203]

(Whereupon, Plaintiff's Exhibits 45 through 53 were received in evidence.)

Q. Now, Dr. Walsh, would you tell us in what way you used Plaintiff's Exhibit 45 through 53 in connection with your analysis of the degree of actual competition if any between Bancorporation and the First National Bank of Greeley.

A. Well, this shows the source of business of First National Bancorporation.

Q. Well, what are you referring to?

A. With respect to the City of Denver, with respect to the Denver SMSA area, Denver metropolitan area, with respect to Greeley, with respect to the Greeley area, and so on.

Q. What document number do you refer to?

A. Well, Document No. 45 is the first one that shows demand deposits of individuals, partnerships and corporations in First National Bancorporation as of August 31, 1970. This shows that—well, I don't know which way to go here, whether to discuss—well, primarily in the City and County of Denver, with nearly 70 percent of their total demand [204] deposits in that area of individuals, partnerships and corporations. If you include the Denver statistical area, they have 84.8, nearly 85 percent, of their total business in that area.

Q. May I interrupt just while you mention that word "statistical" area.

A. Yes.

Q. You will notice at the bottom of what is titled "Metropolitan Denver" there is in capital letters and indented the term "Denver SMSA." I wonder if you would just indicate for the Court what the meaning of that term is, "Denver SMSA."

A. This is a statistical convenience developed by the U. S. Census Bureau, which in this case when you say SMSA you mean the City and County of Denver as listed here, the City of Aurora, Adams County, Arapahoe County, Jefferson County, and Boulder County.

[205] Q. That area has been designated by the Bureau of Census as the Denver SMSA, is that correct?

A. Yes.

Q. Now, would you just for the record state what the

itials SMA stand for since that term occurs in many of ese documents?

A. Standard Metropolitan Statistical Area.

Q. So the Denver SMSA stands for the Denver Metropoli-n Statistical Area?

A. Yes.

Q. Now, will you go through these documents and indi-te as briefly as you can the significance that they had in our analysis with respect to the existence of direct compe-tion, if any, between Bancorporation affiliates and the irst National Bank of Greeley.

A. Well, I started to report on the showings of Exhibit 45 ith regard to the demand deposits of individuals, partner-ips, and corporations. In addition to what I previously id this document shows that the First National Bancor-oration had less than five-tenths of one percent of its—of ese types of demand deposits in the City of Greeley, less an five-tenths of one percent in the Greeley area. How-er, the dollar amounts in the former were $40,000 and in e latter $8,000—excuse me, $48,000. It shows also for eld County that the Bancorporation had approximately 206] one tenth of one percent or a $234,000 of demand eposits of individuals, partnerships and corporations in eld County. So I should say from that, they are not in ry direct competition with regard to demand deposits ith the Greeley bank.

With regard to Plaintiff's Exhibit No. 46, saving deposits the First National Bancorporation, again, it shows 70 rcent are in the City and County of Denver and slightly er 90 percent in the Denver metropolitan area.

Q. Dr. Walsh, perhaps we could shorten this a bit if you uld just direct your attention to the Denver metropolitan ea instead of subdividing it into the City of Denver. I ink the figures are sufficiently close so that the point that are developing can be adequately covered. If you would st point out the Denver metropolitan area and the busi-ss derived by Bancorporation in the Greeley area.

A. Yes.

Q. How about document 46? Could you state briefly how u used that in your analysis?

A. Well, it shows that there are primarily—they have ree savings deposits from the Denver metropolitan area d that they have a very small share in the City of Greeley,

$67,000 or one-tenth of one percent of their total; and in the Greeley area they have also $67,000 or one percent of the totals. However, for Weld County this rises to $325,000 or three-tenths of one percent of their total savings deposits. [207] Q. How about Plaintiff's Exhibit 47, briefly.

A. Very briefly, okay. The First National Bancorporation has 90 percent of their time deposits of individuals, partnerships and corporations in the Denver metropolitan area. They have two-tenths of one percent in Greeley, and in the Greeley area and in Weld County. With regard to the document No. 48, First National Bancorporation has 71 percent of its total loans in the Denver metropolitan area. It has however 2.1 percent or $7,129,000 in the city of Greeley. It has 2.8 percent or $9,691,000 in the Greeley area. It has 3.7 percent of its total loans in Weld County and this amounts to $12.6 million.

Q. Now, Dr. Walsh, Plaintiff's Exhibit 48 is the total loans. Exhibits 49 through 53 are various subcategories of the loans. If I may lead you a bit, is that not true?

A. Yes, sir.

Q. Can you summarize your analysis of Exhibits 49, 50, 51, 52 and 53, bearing in mind that the figures there are in the record and speak for themselves?

A. Well, they all show that First National Bancorporation primarily operates in the Denver metropolitan area and it has a slight amount of business in Greeley area.

Q. Well, if I may just direct your attention quickly to Plaintiff's Exhibit No. 53 which is concerned with loans to farmers, I wonder if you would tell us in what way you used this [208] particular exhibit in connection with your analysis?

A. Well, I suppose as you expect the Denver metropolitan area accounts for 12 percent of the loans to farmers. There are not many farmers in the Denver metropolitan area. The city of Greeley accounts for thirteen percent. Very prosperous agricultural area. The Greeley area is a local—it accounts for 16.3 percent of the farm loans or 4.7 million dollars. And Weld County accounts for 20 percent of their farm loans, $5.8 million. This indicates that with regard to farm lending the First National Bancorporation is a substantial competitor in the Greeley area.

Q. Dr. Walsh, I would like to show you what has been marked as Plaintiff's Exhibits No. 54, 55, 56, 57, 58, 59, 60,

61 and 62 marked Plaintiff's Exhibits marked for identification and if you used—ask you if you used those documents in connection with your analysis of the actual competition if any between the First National Bank of Denver and the First National Bank of Greeley?

A. Well, this shows for the——

Q. Excuse me. Did you utilize them?

A. I did.

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[216]

(Whereupon, Plaintiff's Exhibits 54 through 62 were received in evidence.)

Q. Now, Dr. Walsh, I would like to ask you if you would examine Plaintiff's Exhibits 54 through 62 in evidence and which you will note are concerned with various business items and their sources of the First National Bank of Denver and ask you in what way you considered them in connection with your analysis of the competitive issues in this case.

A. Well, I considered them in that they show for the lead bank of the First National Bancorporation, for the lead bank, the First National Bank of Denver, their distribution [217] of demand deposits, savings deposits, time deposits, of individuals, partnerships and corporations and so forth, the total loans, commercial and industrial loans, single-payment loans, real estate loans, and finally, loans to farmers.

These charts show that the First National Bank of Denver, the lead bank for the Bancorporation, primarily operates in the City of Denver and the Denver metropolitan area. For example, in the case of demand deposits of individuals, partnerships and corporations, fully 84.2 percent of its activity is in the Denver metropolitan area. Also, it shows that their share of demand deposits in the Greeley area is less than one-half of one percent and also the same for the City of Greeley, and amounting to, for the Greeley area, $45,000 as of August 31, 1970.

Would you like me to report orally the rest of these? There are some variations, particularly in the amount of activity that the First National Bank of Denver carries on in the Greeley area

Q. But would you be able to summarize this series of documents in any way, to save time?

THE COURT: Is there any area in which they are active?

THE WITNESS: Well, certainly——

THE COURT: In the Greeley area? I mean, any aspect?

[218] THE WITNESS: They have, for example, the real estate loans, 12 loans, of all classes. This is an amount of $563,000, representing 1.7 percent of their total real estate loans. They have, for loans to farmers in the Greeley area 12 loans, representing 15.4 percent of their loans to farmers total, amounting to $4,138,000, or 16 percent of their total farm loans.

Just looking at some other categories, loans to individuals, partnerships and corporations on an installment basis, are very small, only 28 in the Greeley area, amounting to $51,000, and only .3 of one percent of their total loans in that category.

[219] In the case of commercial and industrial loans, again, it's rather sizable to the Greeley area. It amounts to fully 2.7 million dollars or two percent of all the commercial and industrial loans of the First National Bank. Generally, small loans, by summing up. As to the share of business activity of the First National Bank in the Greeley area and also in the City of Greeley. And, also in Weld County; very minor.

THE COURT: So then you would conclude that the First National Bank of Denver is not a strong competitor?

THE WITNESS: But, to the extent they have these operations, although it's not a strong competitor, it's on the edge of the Greeley area market. As these numbers of intrusions, as we have just——

THE COURT: But you say they are no competitor—no competitive factor, really, as you know of now?

THE WITNESS: No direct competition, I would be willing to conclude.

Q. (By Mr. Schoepke) None whatever?

A. Well, only a very small amount of direct competition.

Q. I would ask you to look briefly at Plaintiff's Exhibit 38 and ask you whether you used this in connection with your analysis of the degree of direct competition if any between First National Bank of Denver and the First National Bank

of Greeley, and in that connection I direct [220] your attention to Pages 8—8 and 14——

* * * * *

[222] MR. SCHOEPKE: Those would be 33, 35, 37 and 38 we offer in evidence, Your Honor, as plaintiff's exhibits subject to the protective orders requested by the defendants.

THE COURT: These are not to be utilized as a matter of record at any time?

MR. METZGER: Yes, Your Honor. In order that we may be entitled to the protective order, the Court would have to order that the clerk seal these particular documents and we respectfully request the Court to so order.

THE COURT: They can't be referred to in the course of argument or decision, is that right?

MR. METZGER: Yes, Your Honor.

MR. SCHOEPKE: Without further order of the Court or on application.

[223] THE COURT: Fine with me. I don't know what good they are then.

MR. METZGER: Customers tend to be very sensitive about bandying their names about, Your Honor.

MR. SCHOEPKE: Well, with the protective order, Your Honor—I perhaps need a little education. Does Your Honor anticipate that we can refer to them generally without going into the confidential specifics that the defendants are concerned about?

THE COURT: The identification, that's what he's objecting to; specific identification.

(Whereupon, Plaintiff's Exhibits 33, 35, 37 and 38 were received in evidence.)

Q. (By Mr. Schoepke) Now, referring, Dr. Walsh, to Plaintiff's Exhibit 38 in evidence, calling your attention to pages marked as 8 and 14 thereof, would you indicate without mentioning any names or otherwise identifying the individuals or organizations there indicated, would you indicate in what way you used this particular Plaintiff's Exhibit Number 38 in connection with your analysis concerning the competitive aspects of the proposed merger or proposed acquisition?

A. Well, this shows that the First National Bank of Denver has direct loans in its correspondent bank department.

Q. Why don't you count the number?

[224] A. Some 15 medium to large-size operations, primarily in the feeding and feedlot area—in the Greeley area. I see that a couple of them extend throughout Weld County. But most of them are in the Greeley area. These are medium to large-sized lending operations.

I see on page identified as 14 of Document Number 38 that they reply that they have solicited commercial banking business from some 11 present merchants in Greeley and these will be primarily small to medium-sized retailing and commercial operations, although there are a couple here that are fairly large organizations, although I think they are calling on the regional office of the—the local offices of these large organizations. So, they show that this latter—this latter list shows that the First National Bank indeed solicits business in Greeley and the Greeley area.

Q. Now, I would now show you Plaintiff's Exhibit Number 37 in evidence and ask you, directing your attention and admonishing you not to indicate names or amounts, and directing your attention particularly to pages designated as 5 and 6 to this interrogatory answer in what way you used this particular exhibit in connection with your analysis of this case?

A. This is a list of the trust accounts originating in Weld County and nearby counties. It shows that in Weld County the First National Bank of Denver has four living [225] and personal trusts and we might go through—there are a small number of various other kinds of accounts—the total being eight for testamentary trusts.

Q. No, that's for four counties.

A. Two testamentary trusts in Weld County. Five escrow accounts in Weld County; only one custody account and one investment banking account. Excuse me, that's in Logan County. No investment banking account in Weld County. I guess they also list the dollar amounts involved, but it isn't a substantial amount of money.

Q. Now, Mr. Walsh, in connection with these documents that we have just been discussing, namely, Plaintiff's Exhibits 45 through 53 in evidence and 54 through 62 in evidence, 38 in evidence, 37 in evidence, and 40 in evidence, did you reach any conclusion with regard to the effect that the proposed acquisition of the First National Bank of Greeley would have in terms of actual competition?

A. Yes. There is some direct competition, no doubt about it. But, on balance, it's relatively small or insignificant. Some direct actual competition will of necessity be eliminated by this merger. It's relatively minor. And will not cause me concern as a market structure economist. That is, in terms of the market structure analysis, essentially they operate in two different markets; one basically in the Denver market and the other basically [226] in the Greeley market.

Q. Did this evidence indicate to you anything with regard to the proximity of the organizations to the markets in which they operate?

A. Well, they're on the edge of each other's markets, and this is shown by the solicitation of business, the amount of business of varied categories in each other's market. The evidence is quite clear on that to me as an economist.

Q. Now, Dr. Walsh, in your analysis of the competitive effects of the Greeley acquisition itself, did you consider any factors other than actual competition between Bancorporation and the First National Bank of Greeley?

A. Yes, I did. I considered potential competition.

Q. And could you tell us why did you consider potential competition in your analysis of this particular acquisition?

A. Well, this kind of merger is known in the field of industrial organization as a market extension merger. And in market extension mergers or acquisitions the issue of potential competition is the important one.

Q. Now, you mentioned the term market extension merger—I wonder if you could just tell us briefly what you mean when you use the term market extension merger?

A. There are two kinds, one is a product market [227] extension merger, meaning the joining of two related but different products or services. And the other is a geographic market extension merger which joins firms producing the same product but in different markets.

Q. When you say with regard to a geographic market extension merger, you said in two different markets. In two different what kind of markets?

A. Product markets; where they——

Q. No, no. I'm speaking of geographic market extension merger.

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THE WITNESS: Didn't I define geographic market extension merger?

Q. Would you start again and define what a geographic market extension merger is?

A. Firms producing the same product or service but operating in two different markets joined together. This is a geographic market extension merger.

Q. Now, what category does the present acquisition of the First National Bank of Greeley fall in?

A. Well, this is a geographic market extension merger.

Q. And why?

[228] A. The First National Bancorporation in the Denver market seeks to extend its operations by acquiring the First National Bank of Greeley into the Greeley market area. This extends their geographic operations.

Q. Now, you indicated a moment ago that in a market extension merger that potential competition was the important thing to be considered under an industrial organization or market structure analysis. Could you tell us what is a potential competitor as you use the term?

A. There are three main determinates: one, resources, a potential competitor has to have size; resources, capability to enter the market if he wishes, without a merger of a major bank already in that market. The second is incentive. The potential competitor has the incentive to enter the market because of growth or attractive—economic attractive kind of market; and third, he has a relative capability. This is in relationship to the potential capacity of others outside the market that might be potential entrants.

MR. SCHOEPKE: May I have a moment, Your Honor, just to get my documents out?

[229] THE COURT: Well, the most that can be said is that it possesses a possible threat to competition which might develop in the future?

THE WITNESS: I agree, Your Honor, that's one of the——

THE COURT: Well, it doesn't possess any threat to any present competition because there isn't any, substantially, trifling, is that right?

THE WITNESS: I wouldn't go so far as to say there isn't any, but it is a minor element in that market.

THE COURT: It is insubstantial, is that right?

THE WITNESS: It is interesting, however, to observe that

First National Bank does in fact serve as an alternative to Greeley area purchasers of banking services with regard to the various banking services that they provide. They are more of an alternative with regard to some of those banking services than others. That's why we do not say banking competition. I do say, however, that they are an alternative to the Greeley banks in providing the services and I should think not an unimportant alternative. I don't know about the use of the word "substantial" in legal terms.

THE COURT: Well, perhaps to the extent that it is a lending institution that has enough money to make a big loan, is that right?

THE WITNESS: Well, it certainly has that.

THE COURT: At least to get one, if they don't [230] have the money to loan at the time?

THE WITNESS: Certainly, and in saying that, Your Honor, I think you are saying they have the potential to make large loans in the Greeley market and they are currently using that potential in that market.

THE COURT: But you can't go further than that, I take it?

THE WITNESS: I wouldn't call it substantial direct competition.

Q. Now, Mr. Walsh, I would like to show you Plaintiff's Exhibit 21 for identification, and ask you if you used that in connection with your analysis?

A. I did.

Q. MR. SCHOEPKE: If Your Honor please, we offer Plaintiff's Exhibit No. 21 for Identification into evidence.

MR. METZGER: We have no objection to the document, Your Honor, save as to the staleness of the data. We have documents which are year end 1970 which I think would be more use, but no objection.

THE COURT: Very well, it will be received.

(Whereupon Plaintiff's Exhibit No. 21 was received in evidence.)

MR. SCHOEPKE: Your Honor, these are the ones that are closest to the merger and our inquiry is as of the date of the merger.

[231] THE COURT: The only purpose is to support your allegation that there is concentration in the Denver banks?

MR. SCHOEPKE: That is one of the purposes. Yes, this indicates the degree of concentration in the Denver market.

Q. Now, could you just tell us briefly, Dr. Walsh, in what way you used Plaintiff's Exhibit in Evidence No. 21 in connection with your analysis as to whether the Bancorporation, First National Bancorporation of Denver, had the resources to enter the Greeley market, should it desire?

A. Well, this shows that the First National Bank of Denver is the largest bank in the Denver market. It is also the largest bank in the State of Colorado.

MR. METZGER: Your Honor, I believe that the answer to this complaint conceded that we have the resources to enter this market and that this question is not in issue.

THE COURT: Very well. That takes care of that, I guess.

MR. SCHOEPKE: Takes care of that. Well, then may I offer in evidence as fundamental background information Plaintiff's Exhibit 15, which is the 1969 annual report of the First National Bank of Denver.

Q. Dr. Walsh, I would like to show you Plaintiff's Exhibit No. 15 and direct your attention to——

THE COURT: Wait a minute——

[232] MR. METZGER: If it is being offered in support of the proposition just advanced, I believe we have conceded it.

THE COURT: Well, I suppose he can offer it anyway, if he wishes. You don't dispute its authenticity, I take it?

MR. METZGER: No. Your Honor, simply one of the basic elements of our case is that not only we but just about any entrepreneurial group in Colorado has the financial resources to enter Greeley de novo. These are very minimal dollar figures and we concede that anybody has that ability. In fact we contend it.

THE COURT: Well, we will receive it.

(Whereupon, Plaintiff's Exhibit No. 15 was received in evidence.)

THE COURT: I suppose they may be able to use it for any purpose they wish. Is this a recent financial statement, annual statement?

MR. SCHOEPKE: Yes, and it is of particular significance——

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THE COURT: What year?

MR. SCHOEPKE: For 1969, and on Page No. 8 of that is a ten-year growth record of the First National Bank of Denver, which we believe supports our basic position in this case.

Q. Now, we would also at this time show Dr. Walsh Plaintiff's Exhibits for Identification 18, 20 and 19, and ask [233] whether he used these particular tables in connection with his analysis as to the resources?

A. Yes, I did.

Q. Of the First National Bank to enter the Greeley market, should it wish?

A. Yes, I did.

• • • • •

[238] MR. SCHOEPKE: Just the continued growth of the First National Bank of Denver and its maintenance of its lead as the largest bank in Denver, and also the largest bank in the state, thereby by definition qualifying it as the organization most likely to be a potential entrant in Greeley [239] simply because of its size relative to its other competitors.

THE COURT: Well, I think they will stipulate to its size and its steady growth and its being the largest banking institution in Colorado.

MR. METZGER: Yes, Your Honor, and there is a document the government has not objected to, our Exhibit No. 3 which lists from 1960 to 1970 deposits in each of the banks of Denver.

• • • • •

[240] Q. Now, Dr. Walsh, we have covered the subject of resources and I believe you indicated in response to my question as to what one of the attributes would be that would constitute in your view a significant potential entrant or potential competitor was incentive. I wonder if we might direct our attention to this subject of incentive at this time, and I would ask you if you have examined any material in connection with your analysis as to whether an incentive was present for the First National Bancorporation to enter the Greeley market as a significant potential entrant?

MR. METZGER: May it please the Court, I object to the testimony of this witness of an incentive on the part of

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somebody else without demonstrating that he has some private knowledge as to what that person was thinking.

MR. SCHOEPKE: Well, that is subjective, Your Honor. I am asking this witness to testify with regard to the various growth data of the City of Greeley, its prosperity and attractiveness and so forth as an objective indicia that would lead a reasonable bank to have the incentive. As the court in the Penn-Olin case, which was a potential competition case, [241] indicated the primary test is objective, not subjective.

MR. METZGER: As the Court is aware, not only I but the Supreme Court disagree with counsel's representation as to what the court said. I simply do not think he is competent to testify as to what the incentives of the bank are. I do not think he is competent to testify to that.

Q. Well, Dr. Walsh, with regard to incentive, what in your view as a market structure analyst would you consider as appropriate indicia to indicate the probability of incentive to enter a particular market, in a geographic market extension case——

MR. METZGER: Objection, Your Honor, counsel is suggesting that the appropriate criteria for evaluating the incentive of a bank to enter a market are economic and statistical data. The Supreme Court in the Penn-Olin case made it very clear that the expressed intentions of the institution involved were the relevant considerations, and on that grounds decided the case. We do not think it appropriate——

THE COURT: Well, that could be that it would be conclusive. I don't know. I will have to take a look at that case, but that doesn't prevent them from presenting evidence as to objective elements that would lead a reasonable or rational person to want to get into the game, so to speak.

MR. METZGER: Not at all, Your Honor.

THE COURT: That's all he is bringing out now, as I [242] view it.

MR. METZGER: Counsel is inquiring into the incentives of a bank to enter the market.

THE COURT: What are the features that are attractive, that's all he is asking.

MR. METZGER: Fine, to that I have no objection.

THE COURT: All right.

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Q. Dr. Walsh, what are some of the features that would be attractive to a significant potential entrant in a market extension case?

A. Rapidly growing economy, one of increasing trade and commerce, perhaps increasing manufacturing, perhaps increasing cattle feeding, increasing population, these kinds of factors that account for market growth and development which lure banks lead to expansion of bank operation.

Q. Did you examine any data in connection with your analysis of these particular factors vis-a-vis the Greeley area?

A. Yes, I did.

Q. Dr. Walsh, I show you Plaintiff's Exhibits for Identification 87, 88, 89, 90, 91, 92, 93, 94, 95, 96 and 97, which you will note are all concerned with the City of Greeley, and ask if you utilized these particular exhibits at all in connection with your analysis of the attractiveness of the Greeley market?

[243] A. Yes, I did.

MR. SCHOEPKE: Here are Your Honor's copies, sir.

(Counsel handed exhibits to Court.)

[244] MR. SCHOEPKE: In view of the fact that the witness has used these in his analysis, I respectfully move that these plaintiff's exhibits, 87 through 97 for identification, be received in evidence.

* * * * *

[246] THE COURT: 87 through 97, inclusive, are received.

(Whereupon, Plaintiff's Exhibits 87 through 97, inclusive, were received in evidence.)

Q. Now, Dr. Walsh, I would like to ask you if you would go through Plaintiff's Exhibits 87 through 97, inclusive, and indicate in what way you used them in your analysis of the City of Greeley as a banking market?

A. Well, Document 87 shows that the population of Greeley increased from 26,300 in 1960 to 38,900 in 1970.

Document 89 shows that there was a 47.8 percent increase in population over the past ten years for the City [247] of Greeley.

Q. Did you carry it back beyond ten years?

A. Document 89 carries it back for decades, running it

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back to 1920, which would be a 50-year period. The City of Greeley has increased in population by 255 percent. Also, as shown on Document 89, is a comparison with the State of Colorado population increase and the increase of the United States. The City of Greeley population growth is nearly double that for this whole State of Colorado, which had a population growth of only 25.8 and nearly four times that of the growth of the United States as a whole, which is 13.3 percent over the last decade. Also shown in Document 89 is the greater population growth for Weld County as compared to the other counties mentioned just a moment ago. Weld County has had a population growth of 23.4 percent in the last ten years. El Paso County has grown at nearly three times that rate, 64.2 percent. Boulder County has grown even more, 77.6 percent, and Logan County has had a slight decline, 7.1 percent, in the last ten years.

Q. How about Plaintiff's Exhibit Number 90 in evidence?

A. This shows gross sales, 1960 to 1970 in Weld County and in the City of Greeley. It shows that for the City of Greeley gross sales increased from 95.8 million in 1961 to 55.8 million in 1970, or an increase—a percentage [248] increase of 282 percent. It shows for Weld County nearly as large an increase of gross sales or gross business activity increasing from 148.7 million in 1961 to 444.2 million in 1970. A 215 percent increase over the period.

Q. I believe that's 219 percent, is it not?

A. 219.6 percent.

Q. How about Plaintiff's Exhibit Number 91?

A. Exhibit 91 shows the growth in retail sales from 1960 to 1970, not quite as rapid as gross business activity. As a matter of fact, one-third as rapid. Retail sales for the City of Greeley increased from 82 million in 1961 to 162 million in 1970; nearly doubled. Similarly, in Weld County the increase was from 121 million in 1961 to 226 million in 1970, a 94 percent increase in retail sales.

Shall I just continue?

Q. Yes, just continue on as rapidly as you can, Dr. Walsh.

A. All the indicators are up. Exhibit Number 92 shows that electric power consumption has increased from—in this case from 54.7 kilowatt hours to 152.6 kilowatt hours, ten years later. 178.7 percent growth in electric power con-

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sumption. That's a good indicator of consumption of energy as is the next one—or not quite the next one. Later—a later document in this series.

Document 93 shows the increase in number of [249] telephones, which kind of follows along, although it is a much lesser rate than the other indices. It shows the telephones increased in the City of Greeley from 11.5 thousand in 1960 to 17.5 thousand in 1970, a 51 percent increase over the ten-year period.

The Document 94 shows——

Q. Dr. Walsh, these figures are on the record, of course, and in your comments I think perhaps we might save time if you could concentrate on the percentage increase unless counsel for defendants object.

A. Okay.

[250] Q. Now, Document—Plaintiff's Exhibit No. 94 in evidence.

A. This shows for postal activity for the City of Greeley 44 percent increase over the last ten years in number of daily deliveries. Exhibit 95 shows for rural deliveries, out of the Greeley office an increase of 27 percent over the last ten years.

Exhibit 96, again for the City of Greeley, shows the increase in the number of water taps—a percentage increase from 1960 of 36.9—37 percent.

Exhibit 97 shows that for building permits issued for residential building, both single and family and apartments this shows substantial construction activity throughout the period with some ups and downs. For example, in 1970 there were 358 apartments units constructed at a cost of $3.4 million, and this is substantially more than any of the activity in previous years in the department of construction. The same thing is true for single-family dwellings in 1970, substantially larger number of single-family dwellings constructed. 256. Total value, $4.9 million. Generally a substantial construction activity in that area.

I was just visiting the area last week and noted the large number of apartment houses going up, and I was quite amazed.

Q. Now, as a result of your study of Plaintiff's [251] Exhibits in Evidence 87 through 97, inclusive, Dr. Walsh, did you come to any conclusion with regard to the economic condition of the City of Greeley?

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A. It's a boom town. It's a rapidly growing community. It's a tremendous growth area, you know. It's just tremendously attractive to a banker in the growth market. And, to an economist by the way too.

Q. Now, Dr. Walsh, I show you Plaintiff's Exhibit for Identification No. 98, 99, 100, 101 which you will note are concerned with the Greeley area, and ask you if you considered those particular documents in connection with your analysis in this case?

A. Yes, I did.

MR. METZGER: What numbers?

MR. SCHOEPKE: 98 through 101.

* * * * *

Let me withdraw that.

[252] MR. SCHOEPKE: Your Honor, since the witness used Plaintiff's exhibits for identification 98, 99, 100 and 101 in his analysis, we move at this time that these exhibits, that Plaintiff's Exhibits 98, 99, 100 and 101 be received in evidence.

THE COURT: Subject to the correction they are received.

(Whereupon, Plaintiff's Exhibits 98 through 101 were received in evidence.)

Q. Dr. Walsh, would you go through Exhibits 98 through 101 and tell us as rapidly and as briefly and as cogently as you can how you used these particular documents in connection with your analysis of the economic attributes of the Greeley area, in quotes.

A. The Greeley area includes these surrounding small towns within roughly a ten-mile radius. And it shows population is growing there as one would expect in this kind of a [253] greater Greeley area, but not as rapidly as in the city population. The city population increased nearly 30 percent during the last ten years. 45,228 to 58,500. That's shown on Plaintiff's Exhibit No. 98.

Electric power consumption for the Greeley area shows a substantial increase from—well, it increased by 115 percent over the ten-year period in greater Greeley area.

Telephone installations, the number of main telephones increased by 48 percent, nearly 50 percent; nearly half again over the ten-year period.

Q. What do you mean? Are you referring to——

A. That's the document 99.

And gas sales in the Greeley area includes these surrounding towns to the city of Greeley, they showed substantial growth. This too is an indication of energy consumption as is electricity and there is an indication of economic activity. The volume increase of natural gas consumption increased by 127 percent over the ten-year period.

Q. To which document are you referring now?

A. That's Document No. 100.

Q. And I believe you commented a moment ago on electric power consumption in the Greeley area? I don't believe you mentioned specifically the document that you were referring to. Would you do so for the record, please.

A. Document 101.

[254] Plaintiff's Exhibit 101?

A. Right.

Q. Dr. Walsh, yould you tell us that what conclusion, if any, did you draw from Plaintiff's Exhibits—what conclusion—I withdraw that. I'll start again.

Dr. Walsh, would you tell us what conclusions, if any, concerning the Greeley area you drew in your analysis of Plaintiff's Exhibits in Evidence 98 through 101 exclusive?

A. Well, the area is a rapidly growing economic area and as such it would be attractive to potential entrants. It would be economically attractive. It would be an area where profits could be made. A rapidly growing area. And thus it would be attractive to outside banks.

* * * * *

[255] THE WITNESS: Economic activity, deposits, loans, and other services. A rapidly growing economic activity is very attractive to banks.

THE COURT: Potential business, I suppose?

THE WITNESS: Yes.

MR. METZGER: I'll be back to that, Your Honor.

THE WITNESS: Would you argue the reverse?

THE COURT: They're not interested in any ghost towns, I don't suppose.

THE WITNESS: I don't think so.

THE COURT: They're not going to establish a branch up at Tincup.

[256] Q. I would like to show you Plaintiff's Exhibits for Identification Numbers 102, 103, 104, 105, 106, 107, 108, 109,

110, and 111, and I would like to ask you whether you used Plaintiff's Exhibits for Identification Numbered 102 through 111 inclusive in connection with your economic analysis in this case.

MR. METZGER: Before we get to that, we have no objection to these documents, Your Honor.

A. Yes.

THE COURT: Very good, Mr. Metzger. We will take them all in evidence then without further ado, 102 through 111.

(Whereupon, Plaintiff's Exhibits 102 through 111 were received in evidence.)

Q. Now, in this connection, Dr. Walsh, you will notice that these particular documents are concerned with statistics in Weld County, and I wonder if you would go through them as cogently as you can and indicate generally in what way you used these in connection with your——

* * * * *

[257] A. Plaintiff's Exhibit 102 shows commercial development in Weld County from 1959 to 1969, an increase of 65.7 percent over the ten-year period to a level of 14,213 persons.

Plaintiff's Exhibit 103 for Weld County personal income, 1929 to 1968—I think the most relevant is the last nine years—personal income increased from 1959 to 1968 by 77 percent to a level of $211.9 million personal income in the county. These are U. S. Department of Commerce figures, and over the entire period of from 1929 this same exhibit shows substantial increase from the level at that time of $28.8 million.

The next Plaintiff's Exhibit 104 for Weld County shows total earnings by industrial sector, that is by farming broken out from total nonfarm, which in turn is broken out by government and private, and private is in turn broken down by manufacturing, mining and so on, it shows substantial growth in several of these sectors and substantial total growth. From 1950 to 1968, total earnings increased from 70.3 million to 164.6 million. I think particularly im-

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portant is the fact that manufacturing earnings grew from $2.8 million to 1950 to $18.2 million in 1968, many times increase in manufacturing.

It shows the economy is diversified. Very important I should think to stability in amount of growth. It shows that wholesale and retail trade has advanced very sharply.

Q. I wonder if I could direct your attention to the [258] second page of that, the same thing in percentage terms, and ask if you would care to direct your remarks to the second page.

A. Oh, page 2 of this document shows that farm earnings declined from 49 percent of total economic activity in 1950 to 28 per cent in 1958. It is no longer an economy dependant wholly or even substantially on agriculture, although agriculture is still very important.

It reflects government earnings have increased substantially from nearly 10 percent in 1950 to 20 percent in 1968. These are primarily people working there at the Northern Colorado University.

Q. How about manufacturing?

A. Here again manufacturing employment in the county has increased from four percent in 1950 of total employment to 11 percent in 1968, nearly a threefold increase. As a share of total activities.——

* * * * *

[269] Now, Dr. Walsh, we have discussed the resources of the First National Bancorporation. We have discussed the growth of the Greeley area, and the third factor I believe you indicated that was of significance in determining whether a firm was a significant potential entrant in a market extension case was its capability in comparison to other significant firms outside of that market. I wonder if I could direct your attention to that portion of your testimony—could you tell us—have you, on the basis of your study of the various documents in this case, come to any conclusion as to the relative capability of Bancorporation in contrast to other significant firms outside the Greeley area in terms of its position as a significant market entrant?

A. Well, there is good reason to believe that it's one of the most significant potential competitors in the Greeley market.

Q. And on what do you base that conclusion?

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A. Well, several. Geographic proximity; less than 60 miles between the two cities. There is a main four-lane highway to Denver from Greeley. Bancorporation is the largest bank in the—the single largest bank in the state and has the proximity in Denver as the lead bank and I think also in relation to other holding company banks in Denver, it—— The second largest single bank in Denver is United. It's already in Greeley. So, it rules them out. Colorado CNB Bankshares [270] is one-half the size but they potentially could I suppose. Central Bank and Trust is one-fourth the size. It is one-bank holding company which rules them out. ABC, Affiliated Bankshares of Colorado, is already in Greeley. Three banks. And all nearby. That rules them out. Western Bancorporation, an out of state holding company is prohibited from acquiring additional Colorado banks. Rules them out. First Colorado Bankshares, Denver area holding company, is one-fifth the size of the First National Bancorporation. So in terms of the relative other potential entrants I should say they are substantially larger and have substantially more capability in that regard.

Q. Would you say that they are one of the most likely entrants into the market?

Mr. Metzger: Objection, Your Honor. Calling for conclusion of the witness of which the witness has no capacity. Not an official of the Bancorporation.

The Court: Sustained.

Q. Now, in connection with the documentary evidence which you have been testifying on, have you reached any conclusion with respect to the competitive impact of the proposed acquisition by First National Bancorporation of the First National Bank of Greeley?

A. Well, the economic evidence I think is sufficient to say that it eliminates a substantial potential of competition [271] of the First National Bancorporation being on the edge of the Greeley market.

Q. Dr. Walsh, I would like to show you what's been marked for identification as Plaintiff's Exhibit Nos. 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86 and ask you whether you have used these exhibits in connection with your analysis of this case?

A. Yes, I have.

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Q. And in what connection have you used Government's Proposed Exhibits 73 through 86 in connection with your analysis?

A. This shows the concentration of the Greeley and Greeley area market for commercial banking.

MR. SCHOEPKE: At this time, Your Honor, I would respectfully move that Plaintiff's Exhibits for Identification Nos. 73 through 86 inclusive be admitted in evidence.

* * * * *

[272]

(Whereupon, Plaintiff's Exhibits Nos. 73 through 86 inclusive were received in evidence.)

Q. Dr. Walsh, would you tell us in what way you used Government's Exhibits Nos. 73 through 86 in connection with your analysis of this case?

A. Well, Plaintiff's Exhibit 73 shows total assets of commercial banks in the City of Greeley and Greeley area and shows that First National Bank of Greeley has nearly 35 percent of the assets in the city and a little over 32 percent of the assets in the Greeley area. Its main competitor, Greeley National and an affiliate of ABC Holding Company, is only slightly larger. Of the total banks in the area, the two largest have about 66 percent of the total assets. The three largest banks have about 88 percent and all would be holding company banks. As of June, 1970 they would have these ratios of assets.

Q. Assuming that First National Bank of Greeley were acquired by Bancorporation of Denver?

A. (Nods affirmatively)

Q. Now, would you go through the rest of the documents as quickly but as thoroughly as you can and point out briefly the significance of those particular documents with regard to the matter you have just been testifying about?

A. Well, just about all these tables show that the First National Bank of Greeley is the second largest bank in the city [273] and the area. Just about all the tables show that the same thing—show the same thing as Plaintiff's Exhibit No. 73, the one I just discussed, except for Table 1 on commercial industrial loans, Exhibit 79.

Q. What does that show with regard to commercial and industrial loans?

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A. It shows that the First National Bancorporation is the largest bank in both Greeley and the Greeley area in that line of commerce, of the particular service activity. The First National Bank has 40 percent of the commercial and industrial loans in Greeley and nearly 39 percent in the Greeley area, and this is superior to either the share of the Affiliated Bankshares of Colorado or the United Banks of Colorado.

Q. May I interrupt you just a moment, Mr. Walsh. It's been called to my attention that you indicated and that you stated—perhaps you misspoke yourself—that the First National Bank of Denver had 40 percent of the commercial and industrial loans in the City of Greeley.

A. May I correct to First National of Greeley.

Q. You're speaking of the First National of Greeley?

A. (Nods affirmatively)

Q. And you're addressing yourself in that connection with Plaintiff's Exhibit 79?

A. Yes, sir.

Q. I interrupted you. Had you concluded your discussion [274] of the significance in your view of Government's Exhibits 73 through 86 inclusive?

A. Well, if you look at total assets or total deposits, demand deposits, savings deposits, other time deposits of individuals, total loans, commercial and industrial loans, real estate loans, single-payment loans, loans to individuals on installment basis, loans to farmers, you find in all cases but one that the First National Bank of Greeley ranks as the second largest bank in the city and that the three largest banks have a very substantial share constituting a highly concentrates market. Either taking the city itself or taking the area as whole.

Q. Now, in respect to these documents that you have just discussed and the previous documents that you have already testified about, what effect if any would the acquisition by Bancorporation of the First National Bank in Greeley have on competition?

A. Well, I conclude that it would have an anti-competitive effect on competition.

Q. In what ways?

A. Well, first, we mentioned this before and that is the elimination of substantial potential competition by the First National Bank of Denver in Greeley and in the Greeley

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area. It can't help but entrench the First National Bank of Greeley and the existing concentrated structure with 84 percent [275] of the market in the hands of three largest organizations. The highly concentrated market leaders can preempt new bank locations in the suburbs. They can discourage——

MR. METZGER: May I object to this entire line of response. This is absolutely unsupported in the record from the time we started talking about entrenchment. Absolutely no record basis for saying there is any entrenchment, none at all. There has not been one word of testimony, not one document, nothing.

THE COURT: He has said in his opinion.

MR. METZGER: He has leaped from stating that this would have an anti-competitive effect to concluding with regard to something that absolutely there is no record on; none of these documents speak to the question of entrenchment. None of these documents speak to the question of preemption. None speak to the question of ability of these organizations to obtain charters from the regulatory agencies in suburban areas; none.

THE COURT: Well, it may be that part of his testimony is objectionable. And, it may be that his projections are not supported or are not reasonable. I don't know. You may attack them from that standpoint. But, I think you can do that adequately on cross-examination.

Q. (By Mr. Schoepke) Well, Dr. Walsh, what's the basis for your statement that the First National Bank of Greeley [276] will be entrenched in the Greeley market in its leading position in that market?

A. The concentration of that market and tremendous resources behind its entrance in that market. You will have the three largest banks with nearly all the market. Each one with a tremendous resource of the holding company behind it. So I think the high level of concentration becomes entrenched as well as the position of the First National Bank of Greeley it is—I think that that level of concentration is going to discourage new bank companies from being organized by independent businessmen. Certainly it removes First National Bancorporation from its position on the wings as a potential competitor. It may deter future competition by allowing First National Bank of Greeley to become a member of a new holding company.

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The possibility that First National Bancorporation of Denver might enter the Greeley market by building a new bank or buying out a smaller bank, growing up, and becoming an effective competitor in the market and thus adding to the degree of competition in that market. That kind of potential reduction and deconcentration is forever eliminated.

Q. Would the proposed acquisition in your view have any effect on any of the remaining independent banks in the market?

A. Oh, it certainly would. Facing the three or four of the largest holding companies in that market would surely [277] have a restraining effect upon competition.

* * * * *

[279] Q. Have you exhausted your recollection?

A. The acquisition triggers other banks to join holding companies in self-defense and——

THE COURT: Well, tell me this, are you testifying as to the effect of this acquisition upon the basis of what is already there? Is that right, added to what is there?

THE WITNESS: Yes, sir.

THE COURT: I mean, I am correct in interpreting your testimony?

THE WITNESS: Yes, and in addition to that there is the potential competition in commercial banking reduction by the current trend in acquisitions by leading banking organizations in Colorado of independent banks with substantial positions and markets throughout much of the state, so I would have to add this current trend effect to my other factors.

Q. What significance would that have in your opinion with regard to the Greeley acquisition standing alone?

A. Well, standing alone it had more limited effects, but in combination with the trend occurring throughout the state, it has much more substantial anti-competitive effects.

Q. Now, you said standing alone Greeley has much more limited effects. Do you mean that you do not consider the Greeley acquisition standing by itself as involving a [280] substantial reduction or elimination of competition?

MR. METZGER: Your Honor——

A. No.

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MR. METZGER: I must object to the counsel dragging his own witness on a key question of this type. It goes well beyond leading and it in an area like this counsel must be circumspect and not blatant.

MR. SCHOEPKE: He has already testified that it will have a substantial adverse effect on competition and I just wanted to clarify what I felt was a——

THE COURT: You can ask him to clarify it.

A. I do not mean to diminish the effect in Greeley by adding this effect throughout the state. I think both are important. I do not mean to say one is less or greater.

THE COURT: Well, I do not think it is responsive, anyway. Maybe I didn't hear him correctly. I think he is answering a question that you didn't ask. I think what you wanted him to testify to was the limited degree situation, as to whether or not this acquisition was substantial or insubstantial in its effect, isn't that what you asked him?

MR. SCHOEPKE: Yes.

Q. Would you address yourself to that question?

A. Well, it represents 32 percent of the total assets in the Greeley market. That is a substantial market share to acquire in a highly-concentrated market, and this would [281] have substantial anti-competitive effects as a result of that very large position they acquire without being forced to compete for it.

THE COURT: He didn't ask you whether it was of great magnitude in terms of assets. He asked you whether or not it would have substantial or insubstantial impact on competition as it now exists. Would it adversely affect it in a substantial way?

THE WITNESS: Yes.

THE COURT: Can you answer that?

THE WITNESS: Yes, it removes the Bancorporation on the edge of the market, of the Greeley market, as a disciplining effect on the kinds of competition that arise in a highly-concentrated market that Greeley is. It is bound to have a competitive influence. We have three dominant firms. You have got an even larger firm on the edge of the market that adds a fourth in terms of potential competition, a significant, in my judgment as an economist, potential competitor.

THE COURT: What you are saying is you reduce the competitors from four to three?

THE WITNESS: You reduce the—if you count the three competitors and the fourth on the edge, yes.

Q. That is in the City of Greeley, is it not?

* * * * *

[282] Now, Dr. Walsh, you referred to Bancorporation as a substantial potential competitor in the City of Greeley and the Greeley area and you have also testified on the question of its position as a significant potential competitor in the Greeley market. I would like to ask you in your view as an industrial economist is the probability of actual entry into Greeley or the Greeley area necessary in order for Bancorporation to be a potential competitor in these areas?

A. Certainly not.

Q. And I wonder if you will explain that.

A. Well, the existence of an aggressive, well-financed organization such as Bancorporation is——

* * * * *

[283] MR. METZGER: May I ask that the notes be marked for idenitfication, Your Honor? I do think these are phrases that I've heard before precisely.

THE WITNESS: That particular phrase came out of Penn-Olin.

* * * * *

[284] THE COURT: Well, I think you ought to try to testify without reading.

THE WITNESS: All right.

THE COURT: Actually, I think you would get along better anyhow if you keep your head up because when you drop your head I can't hear you and I don't think everybody else can, either. I mean, if you just speak out to everybody here I think we would all be better off because we want to hear what you have to say and your voice drops when your head drops.

THE WITNESS: Yes, sir.

* * * * *

A. (Continued) There are two kinds of efforts, two kinds of entry. One is wings effect, standing on the edge of the market. The other effect is the actual entry going into the market which has a deep, deconcentrating effect. This is a wings effect and that's a very substantial competitive element in the Greeley market.

BOOK TOO LARGE FO

Q. Now, in this determining whether or not a potential competitor in a geographic market situation such as Greeley [285] is a significant potential entrant or a potential competitor, would you use an objective test or a subjective test?

A. I think economists every chance they got would try to use an objective test rather than a subjective. Objective tests such as the resources, the interest, the relative capability to other firms in the wings, these kinds of tests can be shown objectively and people can agree on them, whereas subjective tests, the statement that anyone might make with regard to what will happen in the future, seems to me the weakest kind of test that we can apply, not just in antitrust but throughout economic research and investigation generally. We try to, as much as possible, introduce into our investigation objective tests of what's happening rather than the opinions and statements of those involved.

THE COURT: Well, what's happened up to now is objective, isn't it?

THE WITNESS: Yes, sir.

MR. METZGER: Your Honor, if I may expound on that point, which is very important and essential to this case, just for the moment, what counsel is suggesting is that the actual impact on the minds of the bankers in Greeley of the First National Bank of Denver's possibility of entering the market should be irrelevant, that what you should look at is not what they are thinking and what is actually affecting [286] their conduct, but what they ought to be thinking in the best of all possible worlds. This is the point that's being raised here now and this is the point to which we will address ourselves with those bankers.

MR. SCHOEPKE: It seems to me, Your Honor, this is argument and can be covered in cross-examination.

MR. METZGER: I wasn't addressing myself to the witness, Your Honor, at all, but to the question with the Court. I apologize if it was inappropriate.

THE COURT: That's all right, proceed.

Q. Dr. Walsh, now, you have indicated that the proposed acquisition of First National Bank of Greeley by the First National Bancorporation of Denver would of itself have substantial adverse competitive effects. Now, in connection with your analyses of these effects, would you as an industrial economist confine yourself to the Greeley acquisition alone?

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A. No, you can't look at an acquisition in a vacuum, just like you can't look at any economic event in a vacuum. You have got to look at the acquisition trend and related markets. You have got to look at who is engaging in these acquisitions throughout this area.

Q. Now, what are the additional factors which you would as an industrial economist and market structure analyst look in addition to the particular transaction under [287] immediate scrutiny?

A. Well, the statewide trend, the mergers throughout the related markets, the—would you clarify it, please?

MR. SCHOEPKE: I wonder if you would mind reading the question again?

(The reporter read the pending question aloud.)

A. (Continued) Well, I would look at the trends in mergers. I meant to say that, the trend in mergers throughout the state. I would look at who was involved in those mergers. Is it the same firms who are involved in the Greeley area in the holding company operations?

Q. And, Dr. Walsh, I would like to show you Government's Exhibits for identification Numbers 113 through 125, and ask you to look at them and ask you if you have used these in connection with your analysis, but, first, have you conducted an analysis of the statewide trend to which you have just referred?

A. Yes, I have.

Q. And have you used Plaintiff's Exhibits 113 through 123 in connection with your analysis?

MR. METZGER: Your Honor, we have reached the point of the consolidation question more directly. Counsel is becoming involved now in the question of the possible future acquisitions with which the holding company may become involved if this and they pass their separate scrutinies [288] before the Court. I suggest that this line of inquiry is inappropriate in this case, logically as well as a matter of evidence, because if this Court decides that this acquisition violates the standards of the Clayton Act the frame of reference within which the Court will consider the next acquisition will change considerably from that which is before the Court now, for this reason: In simple logic, one ought not to consider what is not and what is actually subject to a separate lawsuit of its own in this litigation.

BOOK TOO LARGE FOR F

The courts, when they have considered the subject of trends, have consistently restricted themselves to what has happened. In the Philadelphia National Bank case, the Court spoke of the trend towards concentration in Philadelphia and they said in 1963 that the number of banks in the Philadelphia metropolitan area had reduced from 108 to 40 and the market share of the largest institutions had increased from 60 to 87 percent. These numbers suggest that the Court is talking about past trends. This is what the Congress spoke about when it amended the Clayton Act.

Now, we are speaking of prospective, speculative events, which may never come to pass, and if they do will come to pass in an entirely different factual context than exists now. We are entering a field too speculative for consideration by this Court at this time.

THE COURT: Well, they have represented to me in [289] their brief and in their proposed findings that the First Bancorporation has an avowed purpose to have outlets in various areas of the state, including the Western Slope, that this is their plan and it has been——

MR. METZGER: And that plan has not——

THE COURT: —announced publicly.

MR. METZGER: We do not contest that fact and the statement in the 1969——

THE COURT: Well, I think they are entitled to show that, this statewide picture, for the purpose of showing that there is—to use the phrase "frame of reference"—to show that there is a general plan which will result in concentration of which the Greeley acquisition is simply a part. If they can succeed, why, it might help. I don't know how much probative value it will have unless they also show that the instant acquisition is going to have some impact, you know. I think it might become a relatively unimportant frame of reference if they haven't got a case in Greeley, you know, but if it does, if they have a substantial case in Greeley, I suppose it lends some credence to it if they can show this is part of a general plan.

MR. METZGER: No, Your Honor, because none of those will come to pass if they in their time frame and their frame of reference violate the law. Let us suppose that the Court gives some credence to the prospect that we might acquire the [290] bank at Sterling in this case and in some way

weighs on the Court's determination here, and in point of fact we got shot down in Sterling.

THE COURT: Well, I would say that——

MR. METZGER: Which is subject of a lawsuit.

THE COURT: True. I am sure that you are right that it is entitled only to limited consideration, but I say it ought to be considered about to the same extent you consider the fact that the United Bank has outlets and is seeking more perhaps in various parts of the state and that this other company, the name escapes me——

MR. METZGER: Colorado National Bank shares has made two acquisitions, Your Honor.

THE COURT: I mean the one in Greeley.

MR. METZGER: The ABC, Affiliated Bank Shares of Colorado.

MR. SCHOEPKE: And the United.

MR. METZGER: We started with that.

THE COURT: I expect you are entitled to consider the whole picture. I agree with you it has got a limited value and from what I have seen on both sides here it couldn't carry the day in this particular case. If it only furnished a backdrop, it would perhaps give some meaning to a little explanation of the evidence that they are presenting in the case at bar.

[291] MR. METZGER: If this Court were to say, in its opinion, "Yes, I have been influenced——"

THE COURT: Well, we haven't been trying it on that, they are bad men or they are violating the law generally or they have diabolical motives in general. That's out, you know. So, so far as it has legal relevance, we will consider it.

MR. METZGER: All right, Your Honor.

THE COURT: Does that satisfy you?

MR. METZGER: Well, ——

THE COURT: You would rather keep it out altogether and try this thing under a microscope, but we can't do it.

MR. METZGER: No, no, I have no objection to a review of what has transpired. I think that the United acquisition is in the past and ABC structure and the Colorado National Bank shares structure and what they have done is relevant to this case, but we are dealing with a potential competition case in the first instance. If we add to that the

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shadows of Christmases yet to come, we are really entering into a realm of speculation too thin to support even fog.

* * * * *

[292] Q. (By Mr. Schoepke) Now, would you Dr. Walsh tell us in connection with your examination of the acquisition trend in the state as a whole, in what way you utilized Plaintiff's Exhibits 113 through 125? First off, did you utilize them?

A. I did.

MR. SCHOEPKE: May they be admitted into evidence, Your Honor, Plaintiff's Exhibits 113 through 125 inclusive?

THE COURT: Any objection?

MR. METZGER: The Court has noted our objection.

THE COURT: Very well. We will overrule it based upon the fact this is not relevant evidence. We will receive 113 through 125.

A. This shows the growth of holding company banks and [293] subsidiaries for the——

Q. Which one are you referring to now?

A. Plaintiff's Exhibit 113. —for the period 1960 through 1970, December 31, 1970.

Q. What significance is that in your analysis?

A. Well, it shows that the number of bank subsidiaries increased from 3 in 1960—with 4.4 percent of the total Colorado deposits to 41 in 1971 with 53 percent of bank deposits in the State of Colorado.

Q. May I direct your attention to Plaintiff's Exhibits in evidence 114 through 118 which are essentially similar exhibits and ask you if you would tell us what the relationship is they have to your analysis?

A. You're asking about 114 through—would you—would you please say that again?

Q. 114, 115, 116, 117 and 118.

A. Yes, this shows the same sort of thing except for being illustrated with respect to total deposits bank holdings as was the first exhibit, 114 through 118. It shows the same thing for the total assets held by bank holding companies, total deposits held by bank holding companies, advanced demand deposits of individuals, partnerships and corporations, time and savings deposits and loans and discounts held by bank holding companies.

Q. Now, what significance do these documents have if

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[294] any in connection with your analysis of the concentration trend in Colorado banking?

A. Well, it shows that the share of Colorado banking is in the hands of holding companies with diversified operations and throughout many markets in the state has increased substantially. Exhibit No. 114 shows that the First National Bancorporation in 1970 had 13.6 percent of Colorado total assets held in banking firms. United Bank was the largest, however, with 15.5 percent of the total assets in Colorado banking. And it shows that United Bank had operations throughout Aurora, Boulder, Greeley, Littleton, Fort Collins, Lakewood, Pueblo and Mesa National Bank in Grand Junction.

Do you wish me to continue?

Q. If you have anything more to add to these documents, please go right ahead.

A. Well, it shows generally the key information or, one, that holding company banks have had an increase in the share of total banking in the state and, two, that holding company banking is—has continued to enter into more and more—continued to acquire more and more banks in banking markets throughout the state, particularly in the growth areas.

Plaintiff's Exhibit No. 115 shows the same information with regard to the share of the leading holding company banks, with regard to total deposits.

Exhibit 116 shows the same sort of information with [295] regard to holding company banks, with regard to demand deposits.

117 shows the share of banking in Colorado and holding company banking in terms of time and savings deposits.

And 118 in terms of loans and discounts held by holding company banks.

Exhibit No. 119 summarizes the share of banking in June of 1970 in the hands of the ten largest banking organizations in the state. United Bank is the largest with 14.6 percent. First National Bancorporation second with 12.6 percent. The ten largest control 57.5 percent of the banking in the state.

Q. Now, what if anything does this indicate to you in connection with the statewide trend?

A. It shows that the trend effect of large banking organizations being in growth markets throughout the state and

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related in this way to the central market which is in Denver, the market which itself is highly concentrated. It shows that the opportunities for diversity of services is declining in the state; that it's less likely if you go to an adjoining market to find a different set of banks than you find in the market in which you live than in the past years. This trend is increasing.

Q. Now, in connection with your study of this trend, did you give any particular consideration in your analysis to the participation if any of First National Bancorporation [296] in that trend?

A. Yes, they have acquired banks in addition to Greeley——

MR. METZGER: Your Honor, may I object. The First National Bancorporation has never acquired anybody. I think counsel ought to straighten out his facts.

MR. SCHOEPKE: Well, I think the witness misspoke himself.

THE WITNESS: Has sought to acquire banks, application to acquire banks in addition to Greeley.

MR. METZGER: Then I must object to the witness testifying as to speculation.

THE COURT: Why don't you have him describe what actually occurred? I know anyway, don't I? I know what occurred anyhow, do I not? I mean, isn't this pretty well agreed to?

MR. SCHOEPKE: Yes, I think so.

MR. METZGER: What has transpired is agreed.

THE COURT: Yes. You've got these de novo situations in the outskirts, in the metropolitan area; Northglenn, Southglenn and Montbello.

MR. METZGER: Montbello—we were shot down on an application, on a new charter, across the board. We have acquired—we organized a bank in Northglenn. We organized a bank in Southglenn and another in Bear Valley.

* * * * *

[297] Q. (By Mr. Schoepke) Directing your attention, Dr. Walsh, to Plaintiff's Exhibit No. 122 in evidence, would you explain to the Court what significance that statistical table has in your opinion?

A. It shows the total assets of 25 largest banks in the State of Colorado and breaks down the ten largest banks and

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it shows that seven of those have either been acquired or are in the process of being acquired by the holding company.

THE COURT: What number is that?

THE WITNESS: No. 122.

A. And then turning to the end of the table, it shows that of the 25 largest banks in the banking organizations in the—banks in the State of Colorado, that 14 are either acquired or are in the process of being acquired by holding companies.

* * * * *

[299] Q. (By Mr. Schoepke) Well, now, to move along, Dr. Walsh, I show you Plaintiff's Exhibit for identification 129, 130 and 131 and ask if you have used those documents in connection with your analysis of the statewide significance of the holding company movement of which Greeley is a part?

A. Yes, I have.

Q. And would you explain to us very briefly the use that you made of that particular statistical data?

A. This Chart No. 129 shows the total assets of commercial banks in the City of Sterling and Logan County, 1960 to 1970. This shows—— The prominent feature of this chart is that it illustrates the Security State Bank of Sterling is the largest bank by far; nearly twice as large as the next largest bank in the area, with 52.53 percent business in the county and 54.4 percent of the banking business in the city.

MR. METZGER: May I ask the Court if we aren't getting far beyond what the Court said he was going to accept?

THE COURT: I agree. I don't think we ought to try this Sterling case, Mr. Schoepke.

MR. SCHOEPKE: Well, Your Honor, all we want to do is indicate the relative size of the banks which they are seeking to acquire which is part of their concerted program. I don't propose to go any further to putting in the statistical data on the relative size of the banks in the areas concerned [300] and the economic growth data in the area concerned.

THE COURT: He can express an opinion on this. He can refer to it in his opinion. But, I just don't feel that we ought to try in depth this Sterling situation.

MR. SCHOEPKE: Well, I'm not trying it in depth, Your

Honor. I just would like to put the plain statistical data in as to the relative size of the bank involved and the economic data in the area concerned and we believe that this is part of what is necessary in order to properly assess the statewide significance of the movement which is going on. This all goes to trend. It's the backdrop within which the Greeley acquisition itself should be judged. It's as the minority opinion in the Federal Reserve Board said, that the Greeley acquisition standing by itself is bad, but the trend in the state and concerted program of the expansion of which it is a part simply underscores that anti-competitive consequence and since this Court is called upon—will be called upon to weigh the asserted benefits of the merger, the alleged convenience and needs against the anti-competitive effect, the Court would be in no position to adequately undertake the weighing process unless it had before it the true or the extent of the substantiality of the acquisition involved, and for that purpose we would propose only to put in the data concerning the identity of the banks that are a part of this concerted program of acquisitions which was announced by the [301] bank in 1968 and the nature economically of the markets concerned.

THE COURT: Well, what you're giving me is a comparative analysis of the three banks in Sterling, is that right?

MR. SCHOEPKE: Yes, Your Honor, and simply shows that the bank—the Sterling bank, being acquired in Sterling is the largest in the area with 54 percent of the market.

THE COURT: What is this bank?

MR. METZGER: The Security State Bank is the bank involved, Your Honor.

I suggest what we have here is a legal problem. Counsel is attempting to have this Court conclude that a trend includes a prospective event. Every single case, all of the congressional dialogues dealing with the Clayton Act have dealt with what has been and the impact of what has been and what has happened. When you're talking about a statute where the language speaks of possibilities and probabilities and maybes, it's bad enough to have to deal with what was.

THE COURT: Look, I'll let him testify in general terms as to the picture in Sterling insofar as he can relate it to the instant case perhaps. But, I don't want to accept any documents on any comparative analysis of the banks in

Sterling. That is a case that has to be tried on some other occasion. And I don't think it would be appropriate to make a finding on what the situation is in Sterling. It would tend [302] to preclude a fresh approach to it in another case. Sterling is entitled to be tried on its own merits. So that's the way we will proceed. He can generally discuss it but we will deny admission to this exhibit. At least, I'm not going to read it.

We will take a short recess. It's that time.

(Whereupon, the trial recessed at 3:25 p.m.)

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[308] MR. SCHOEPKE: Yes, Your Honor, but we are not seeking to try the Sterling case. We are simply presenting [309] it as background data to be considered in conjunction with the Greeley acquisition, of which it is a part. It is a comprehensive program.

THE COURT: Well, are you going to follow this up with the Colorado Springs and——

MR. SCHOEPKE: Yes, Your Honor.

THE COURT: And Exchange National? Are we going to have to try that one, too?

MR. SCHOEPKE: And in addition to that, Your Honor, all of these are relative to the vertical case.

THE COURT: Do you have some more besides Exchange National?

MR. SCHOEPKE: Yes, Your Honor, we would move into evidence at this time Plaintiff's Exhibit for Identification No. 145, which is excerpts from First National Bank's application to the Federal Reserve Board to acquire Exchange National Bank in Colorado Springs which has been approved by the Federal Reserve Board.

• • • • •

[310] THE COURT: Well, will tell you what, if you would show me some parts of this prospectus or application that constitute admissions relevant here, I would give favorable consideration to it.

MR. SCHOEPKE: May we do that during recess tonight, Your Honor?

THE COURT: But when you are simply dumping it in my lap for whatever value it may have and leaving it to me to dig it out, I don't see it has any value.

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BOOK TOO LARGE F

[311] MR. METZGER: The Exchange situation. But, let me suggest, Your Honor, that if counsel introduces documents here to show that El Paso County is a concentrated market, we will then have to introduce the Federal Reserve Board opinion that El Paso County is not concentrated and he will have to try and counter that and we will be bouncing across El Paso County as well as Logan, Boulder and Weld.

THE COURT: Well, it's not a bright prospect. But I think you would do a little bit better to concentrate on Weld. I haven't seen too much that is impressive so far. [312] Before you start trying Sterling and Colorado Springs, I think you ought to firm up what we're trying here. It's not an impressive case so far. You may have something in the icebox that will ring the bell, but I haven't heard it yet, I will tell you frankly. I've been expectant and anticipating and so on. I did not know anything about this case. But, I figured that you must have something or you wouldn't have filed it.

MR. SCHOEPKE: We do think we have something.

THE COURT: Well, I'm not going to try it on a statewide situation; on what the condition is in Colorado Springs; I can tell you that right now.

MR. SCHOEPKE: May I ask for a ruling then on my offer of——

THE COURT: We will let you check this out this evening as you said you would on the Sterling prospectus, and if you can show me some material, admissions, for example, on First National Bancorporation that would bear on the case we're trying—— I'm quite willing to let you introduce evidence to the effect that this is a statewide plan. I just dislike having to try that matter in depth. That's all. I'm quite willing to have the facts put in, you know, that they are seeking to expand to Colorado Springs. As a matter of fact, I accept your statement and your brief and findings that they are projecting into the Western Slope as [313] well. But that this is on the drawing board. That's fine. I'm willing to let you show the general picture.

* * * * *

[322]

By MR. SCHOEPKE:

Q. Mr. Walsh, I'd like to direct your attention to Plaintiff's Exhibit 35 in evidence——

MR. SCHOEPKE: Your Honor, I believe you have a copy of that.

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Q. ——which consists of portions of defendant's answer to plaintiff's interrogatory number 4. I'd like to direct your attention to the page numbered 4 of Plaintiff's No. 35 and ask if anything on that page bears on any of the testimony that you have given here with respect to the consequences of the market structure of the type you have [323] been describing.

• • • • •

MR. METZGER: 35 has been received with a protective order. It is under seal with the Court.

• • • • •

MR. SCHOEPKE: Well, if Your Honor wants to clear the court or discuss it in chambers—I don't want to violate the confidentiality.

• • • • •

[327] THE COURT: Do you know whether there is any tendency on the part of banks to loan money to officers of other supposedly competitive banks?

THE WITNESS: I do, Your Honor. I read this——

THE COURT: How come you are acquainted with this practice. It is a practice?

THE WITNESS: I have studied this document, Your Honor.

THE COURT: You just learned it from this?

THE WITNESS: This is the——

THE COURT: Well, I don't think it is any general practice.

THE WITNESS: No, I——

MR. SCHOEPKE: May the witness explain how he has—what the significance of this document has to him as an industrial economist?

THE COURT: All right, fine, go ahead.

THE WITNESS: May I refer to the findings of the document?

THE COURT: Sir?

THE WITNESS: May I——

MR. SCHOEPKE: Yes, go ahead.

THE WITNESS: ——use the findings in the document?

THE COURT: Yes.

THE WITNESS: Well, this is a document from the [328] First National Bancorporation with regard to their interest rate policies and it shows that loans to officers of large Denver banks are at rates of one percent under prime rates.

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MR. METZGER: That's not what the document shows, nor what it says, Your Honor, and I don't think we should be bandying this about.

THE COURT: I simply asked him to state how he knows that there is a practice that goes on whereby the banks loan to one another's officers, that's all.

THE WITNESS: And that this rate——

THE COURT: Whether there is a practice? Did you hear my question?

THE WITNESS: Yes.

THE COURT: How do you know it? Is this a general practice?

THE WITNESS: It is a practice between two Denver banks, sir.

THE COURT: Well, then, it is a single instance, as far as you know?

THE WITNESS: Yes, sir.

THE COURT: Do you have any information that it might exist on any widespread basis?

THE WITNESS: Only with regard to large Denver banks, sir. These are two of the largest banks in Denver. They are part of a concentrated Denver market.

[329] THE COURT: I will overrule your objection. I think we are straining at gnats, really, I do. What does it mean to you? Do not go into any figures at all. What is the general conclusion to be drawn?

THE WITNESS: It means that favoritism is shown by the officers of one large bank to the officers of an apparent competing large bank and this would deter competition between those banks, that these officers receive pay rates of interest that are substantially less than any other borrower from those banks.

MR. METZGER: Objection, Your Honor, that is simply not true. The document does not state anything of the sort. Many loans are made below prime. The suggestion of the witness is simply without foundation of any kind and is simply untrue as well.

THE COURT: Well, do you know that this is true?

THE WITNESS: From the material in the document itself, this is the lowest rate that's listed as an interest rate policy of the Denver bank.

THE COURT: Well, how do you know how many people get that rate of interest?

THE WITNESS: Well, we have a document, sir, that shows how many people are involved in this policy.

THE COURT: In this policy, yes, but I mean are they—I don't think it shows that they are the only ones who are [330] accorded this, and that's what you said. We will sustain the objection as to that part of his answer, that they are the only ones who are the recipients of this treatment. I don't know whether they are or not.

* * * * *

[331] THE WITNESS: This kind of favored treatment——

THE COURT: Okay.

THE WITNESS: ——in relationship between two large Denver banks——

THE COURT: All right.

THE WITNESS: ——is the kind of thing that develops when you have parallel behavior, cooperative competition.

THE COURT: It is an evil of concentration?

THE WITNESS: Yes, it is an evil of concentration. It is——

THE COURT: Okay.

THE WITNESS: It is a "You scratch my back and I scratch your back" kind of thing.

THE COURT: Okay.

THE WITNESS: A kind of cooperation.

* * * * *

[332] MR. METZGER: Your Honor, I would request that those two documents be given the same protection as previous documents relating to private affairs of customers of the bank.

* * * * *

THE COURT: Well, we will receive them, 184 and 185.

* * * * *

[333] Q. Mr. Walsh, would like to show you a document, Plaintiff's Exhibit 183 for identification, and ask you if that document in your view has any relationship to the conditions in an oligopolistic market as you have described it in your testimony?

A. This is a memorandum dated 11-7-69——

MR. METZGER: Before the witness testifies as to the document, we have no objection.

THE COURT: Very well.

A. (Continued) First National Bank of Denver, from Rodney C. Thomas.

THE COURT: It will be received.

[334]

(Plaintiff's Exhibit No. 183 for identification received in evidence.)

THE WITNESS: And it is reporting on a study of minimum balance service charge on checking accounts. Towards the bottom of the page it says that in deciding upon what kinds of checking account charges to have, "The theory behind this was to keep from undercutting the Colorado National to such a point we would start a service charge war," so this is the kind of effect you would expect, cooperative arrangements between principal officers of banks to have parallel actions in their lending and checking policies.

MR. METZGER: Your Honor, the document speaks for itself, but I should like to ask the Court to take a close look at that statement. It shows competition, not cooperative conduct. It shows competition, shows cutting under their prices and shows an intelligent consideration of the business risks involved.

MR. SCHOEPKE: And of live and let live.

MR. METZGER: As I say, the document speaks for itself, sir.

* * * * *

[338] IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. C-2413

UNITED STATES OF AMERICA,
PLAINTIFF,

-VS-

FIRST NATIONAL BANCORPORATION and FIRST NATIONAL BANK OF GREELEY,
DEFENDANTS.

PROCEEDINGS before the HONORABLE WILLIAM E. DOYLE, Judge, presiding, United States District Court for the District of Colorado, Courtroom D, U. S. Courthouse, Denver, Colorado, commencing at or about the hour of 9:00 o'clock a.m., Wednesday, May 5, 1971.

APPEARANCES:

(As heretofore noted.)

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[350] CROSS-EXAMINATION

By MR. METZGER:

Q. Dr. Walsh, yesterday you spoke of the actual competition between First National Bank of Denver and the First National Bank of Greeley and concluded that there was no substantial competition at the present time but that in your judgment the First National Bank of Denver was on the edge of the market.

A. Yes, sir.

Q. This, despite the fact that the banks are separated by some 52 miles in distance, correct?

A. Yes, sir.

Q. Now, you base that conclusion, I believe, in part upon the amount of lending activity by the First National Bank of Denver in the Greeley area and in part by your observations regarding the number of customers now served by the First National Bank of Denver in that market, is that correct?

A. Yes, sir.

Q. And with relation to the question of the customers served by the First National Bank of Denver in the Greeley area I believe that your source of data was plaintiff's Exhibit No. 38.

A. I wouldn't say—well, present merchants in which—to which the First National Bancorporation call on for business generation purposes.

[351] Q. And concluded from those calls on those present merchants that therefore the First National Bank of Denver was competing in Greeley for the customs of those people, is that correct?

A. They were soliciting business in the Greeley area, yes, sir.

Q. Now, that is the document that you reviewed, is it not, Doctor?

A. Yes, sir.

Mr. Metzger: Now, I should like to show the witness, Your Honor, a copy of the answer to Interrogatory No. 36 in its uncropped form.

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[353] Q. All right. If you were to place this page immediately prior to the page headed "Present Merchants in Greeley," Doctor, and look at the statement marked "D" would the fact that these merchants were not solicited in Greeley have affected your judgment as to the amount of actual competition in Greeley?

A. You refer to 2-D? Item 2-D?

Q. Yes.

A. With regard to Master Charges?

Q. Yes. That's the preceding page to page "Present Merchants in Greeley," and it explains that those merchants were solicited in Denver, not in Greeley; that they are statewide accounts that have offices throughout the state and that the business was obtained in Denver.

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[354] The Witness: This states in part "Our solicitation of merchants in Greeley County has been limited to merchants with a national or statewide affiliation." That seems to say "Our solicitation in Greeley."

Q. All right, Doctor. Let us assume——

A. It says, following, "That all of our Master Charge

contracts should be negotiated," apparently concluding the contract through offices in Denver.

Q. Right. Now, if, Doctor, you assumed that these people were solicited, not in Greeley, but in Denver, would it not have affected your judgment as to the degree of actual competition from the First National Bank of Denver in Greeley?

A. Well, I suppose if the loan is a sizeable one it's going to be finally determined in an office of the Bancorporation. But, the clear indication to me here is that the solicitation occurred in Weld County itself.

Q. And as to this contract—as contracts negotiated in Denver, is that correct?

A. It appears to me that the solicitation occurred in Weld County and the contracts were finally signed in Denver.

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[355] Q. Doctor, in examining Plaintiff's Exhibit No. 48 yesterday you noted that there were $7,129,000 in First National Bank of Denver loans in Weld County.

THE COURT: What's that figure again?

MR. METZGER: $7,129,000.

Q. Thirteen of those loans amounted to $6,500,000, or, $500,000 apiece were in what we call the national category, were they not?

A. Would you please clarify the national category?

Q. Well, you're familiar with Judge McMann's test in the Manufacturer's Hanover case, are you not?

A. No, sir.

[356] Q. Well, are you familiar with the concept—the economic concept that the larger borrowers may reach out across state and regional lines to seek their custom?

A. Yes, sir.

Q. And that a dividing line has been generally placed at the $100,000 account level?

A. Yes, sir.

Q. Now, how many of those 13 loans which were for the bulk of the deposits of the First National Bank of Denver in the Greeley area? How many of those were participations? How many were overlines and how many were direct loans?

[357] A. May I see the document on that?

Q. The document would not help you on that, sir. That information is not there. I'm asking you, do you know?

A. No, sir.

Q. Do you believe that a bank is in competition with another bank when it takes the overlines of that bank?

A. I think that comes under the relationship, the correspondent relationship between banks.

Q. What is an overline, Doctor?

A. Well, taking the loan over and above the loan limit of the local bank.

Q. So if the bank can loan more money you're not competing with it, is that correct?

A. You're providing a service of a correspondent bank in doing that.

Q. But are you competing with that bank?

A. You're assisting that bank——

Q. Then you're not competing with that bank?

A. ——in the correspondent——

Q. So to the extent these loans were overlines it was not a competitive activity of the First National Bank of Denver?

A. No, sir.

Q. Are you aware, Doctor, that one of those credits—one of those loans alone was on the order of the lending [358] limit of the First National Bank of Denver?

A. I would believe that, having examined the documents in this case.

Q. So that, as to these large loans for all you have been able to ascertain, the conclusion of the Federal Reserve Board in this case, which I shall now read to you as being an accurate one—"Of applicant's subsidiary banks, only its largest subsidiary draws any meaningful amount of business from Greeley or Weld County and such business which traces in the main to a few large customers with credit needs which could not be met by Greeley banks, does not appear indicative of substantial competition with bank."

A. I agree.

Q. Do you agree with that?

A. Yes, sir.

Q. Now, yesterday, Doctor, when speaking of the subject of concentration, you were asked, "Now, in market structure analysis, how do you go about measuring the degree of concentration ratios?" And you answered, "Well, it depends on the particular industry," and you went on to talk about marketing—the market being very concentrated if eight firms or less controlled 50 percent or more of the

deposits. Do you agree, then, Dr. Walsh, with the statement of the Federal Deposit Insurance Corporation in their 1960 annual report, which I quote:

[359] "However defined, the banking giants competing on a nationwide basis appear to be sufficiently numerous to maintain active competition among themselves. Banking is perhaps the only industry in which attempts to demonstrate a decline in competition invoke the size of the hundred largest units in the industry or the nation. In any other industry, say automobiles, steel or electronics, this many giants would be taken as prima facie evidence of a high degree of competition."

Do you agree with that statement?

A. No, I do not.

Q. You do not agree with the Federal Deposit Insurance Corporation on that point?

A. I do not believe that taking the one hundred largest giants of the nation as a whole in banking or any other industry is an indication of the amount of competition in a particular market.

Q. I think you indicated, Doctor, that concentration measures started with the amount of control of the eight largest members of that industry. Didn't we just establish that?

A. That's one measure that has been used.

Q. By that measure, certainly banking is not a concentrated industry as an industry, is that correct, as an industry, Doctor?

[360] A. The usage of the term "industry" in this context is misleading because banking is a series of markets.

Q. Well, Doctor, would you——

MR. SCHOEPKE: Let him answer.

Q. Would you answer the question and then make whatever explanations you choose, Doctor? But, would you——

A. I would not choose to use the term industry in this context.

Q. Then you do not believe the industry criteria was valid? I thought you were speaking as an expert in industrial classification.

A. But defining industry in a common sense term, meaning all the firms in the commercial banking in the nation—

but, competition occurs in markets. Therefore, to apply the share ratio to the total industry is misleading.

Q. Doctor, all I'm asking you at this moment is whether, as a nationwide industry, banking is concentrated. I would just like to know your answer to that question and then we will get to particular markets.

A. If nationwide banking were a single market, it is not as concentrated as a number of other markets that we deal with.

Q. How many banking firms in the United States have deposits which would give that total group 50 percent of the deposits of all commercial banking in the banks in the [361] United States?

A. I don't understand the question.

Q If you would take the X largest banks in the United States, how many would it take you to get to 100?

A. I really don't know, sir.

Q. Would you believe that the number would be on the order of——

THE COURT: Do you understand the question?

THE WITNESS: He's asking me to estimate the size of the major banks and to go as far as 50, I believe.

Q. Fifty percent.

THE WITNESS: And tell him how many banks that would be. I simply don't know, Your Honor.

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[362] Q. Doctor, did you indicate yesterday that the most important factor looked to is concentration ratios?

THE COURT: Locally?

A. Market concentration.

Q. Yes, market concentration.

It is your contention, then, that although perhaps the nation is not concentrated, but banking markets may well be? Do you believe, for example, that Colorado is a concentrated banking area?

A. Colorado is a concentrated banking area.

Q. But you do not agree that it is a market, I gather?

A. Well, for some purposes, it may be, but——

Q. Not for the purposes you have discussed yesterday?

A. Not for the purposes I discussed yesterday.

[363] Q. I think then that you are in agreement with the Supreme Court's presentation in Phillipsburg, "The locali-

zation of business typical of the banking industry is particularly pronounced where small customers are concerned." You adopt that thesis, then?

A. (Witness nodded.)

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Q. Let me rephrase that and say, Doctor, do you agree [364] that it is the small customer of banking who is pinned to a particular location and who needs protection as to concentration ratios?

A. This is the tendency.

Q. Yes, and I believe you will agree that the First National Bank of Greeley basically serves small customers.

A. Yes, sir.

Q. Now, I think we can agree, Doctor, that growth deposit data is a crude measure of market share of these small customers, is it not, particularly when we are dealing with a large wholesale institution.

A. I will not limit my consideration of a line of commerce of banking just to small customers. The question is the serving of all customers, the total operation of that bank.

Q. Well, Doctor, if we are talking about an institution, the First National Bank of Greeley, which serves small customers, we are talking about the impact of an affiliation of that bank with the First National Bank of Denver. Are you not referring to small customers?

A. Small customers should be considered, but you have to consider the total operation of the bank.

Q. Well, I think you have already agreed that we are talking about an institution which basically serves small customers.

A. Primarily, but the total picture is the important [365] picture.

Q. Doctor, I should like you to look at Defendants' Exhibit for Identification No. 35. May I, Your Honor?

THE COURT: You want him to have it?

MR. METZGER: Yes, I would, Your Honor.

THE COURT: Okay, fine.

(Exhibit handed to witness.)

Q. (Continued) Looking at the top of Defendants' Exhibit No. 35, which reflects the deposits of the five largest banking organizations in Colorado as of mid-year 1968, I think you will note that although these banking organiza-

tions control 48 percent of total deposits in the state, they only control 24 percent of the small deposits in the state, and that this limitation upon their share of the market of the small depositors is even more pronounced with relation to the First National Bancorporation, which although it then had close to 15 percent of deposits in the state it had only 5.7 percent of the total deposits of the small customers. Would you not agree from these figures, Doctor, that as far as the small customer in the state is concerned that the market shares of the largest institutions are only on the order of about half the share that they have in the larger wholesale customers, and that these indicia should be relevant to your consideration of concentration.

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[366] THE WITNESS: To make a conclusion on that point, I would first have to know what the share of the five largest banks are in Denver to the total small deposit activity in Denver. If you will provide me with that information, I will respond to the question more appropriately, I think.

Q. This data is as to the banking organizations in the state, Doctor. This represents their entire structure as it exists today. I believe that you testified yesterday with relation to——

THE COURT: I suppose you would be willing to give some look at all of these criteria. How much weight you want to give is something else.

THE WITNESS: I am not particularly impressed with [367] just looking at the small depositor, Your Honor. I don't want to give the false impression——

THE COURT: Well, that gives you some basis for proceeding then with the next question. Go ahead.

Q. Am I correct that you testified yesterday, Doctor, with relation to state market shares of the largest institutions considerably and at length?

A. Well, that in the Colorado area the share of the holding companies had increased substantially over the ten-year period, yes, sir.

Q. All right, let's talk about that, Doctor. The five largest banking institutions in the state had what share of the deposits in 1961?

A. Something like 52 percent.

Q. And what share do they have today?

A. Something like 52 percent.

Q. Would it surprise you if the figure was something under 48 percent?

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[368] Q. The figure now is lower than it was in 1961?

A. I'm not willing to accept that conclusion.

[369] Q. Let's assume that it were. Would this affect your conclusion that a concentration in the state has been growing?

A. Well, you have had rapid entry during early and middle part of that period.

MR. METZGER: Your Honor, may I ask that the witness answer the question and then speak? The record is going to be in very bad condition unless we can have a response and then a dialogue.

THE COURT: Well, he's going to say, "Not necessarily," I suppose.

THE WITNESS: And, the other—just—I just crudely looked at the acquisition activity of the three largest of those five and in a partial analysis and mergers accounted for something like seven percent of their share by 1970. Now, without the mergers the concentration of banking in this area would have declined.

Q. How many percentage points has the market share of the First National Bancorporation increased between 1961 and 1970 by reason of acquisitions?

A. Well, if you count all the acquisitions that are pending it is something like 3.7 percent.

Q. All the acquisitions that it has made, Doctor?

A. It's something like 3.7 percent of the banking activity in the State of Colorado.

[370] Q. Let's start again, Doctor. How many percentage points has the market share of the First National Bancorporation increased by reason of acquisitions it has made between 1961 and 1970?

A. Well, the acquisitions are still pending.

Q. It has made no acquisitions, is that correct?

A. This is the first one they made.

Q. Has the market share of the First National Bancorporation increased during that time span?

A. I don't believe it has.

Q. Has it decreased?

A. Slightly.

Q. Referring to local banking markets, Doctor, I believe you testified that Denver and all major banking markets in the State of Colorado are "highly concentrated," is that correct?

A. Denver and all——

Q. Major banking markets in the State of Colorado are, quote, highly concentrated, unquote?

A .Well, they're concentrated by and large.

Q. But you used the words "highly concentrated"?

A. I don't recall testifying to all major banks in the state. I haven't investigated all markets in the state.

MR. METZGER: I ask that the Clerk mark for [371] identification as Defendants' Number 65 a list of the 228 standard metropolitan statistical areas in the United States and the deposit share controlled by the five largest banks in those states as of midyear 1968.

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[373] (Whereupon, Defendants' Exhibit 65 was received in evidence.)

[374] MR. METZGER: I didn't mean to offer this, Your Honor. Simply to use it as a cross-examination document for this witness.

THE COURT: Okay, go ahead.

Q. (By Mr. Metzger) Dr. Walsh, would you tell us where the City of Denver stands on this list of concentration of the 233 standard metropolitan statistical areas in the United States?

A. It shows that Denver, Colorado, has a concentration ratio of 62.9 percent deposits held by the first largest banks in Denver and that Denver ranks 210th of the cities of the standard metropolitan areas shows in this document.

Q. Then, according to your standards, Doctor, all major market areas in the United States are highly concentrated, is that correct?

A. Well, it's very apparent from this document that competition is a scarce commodity in banking and therefore a very precious commodity.

Q. Is it correct, Doctor, in your conclusion and by your standards the entire banking industry is heavily concentrated in every major market in the United States?

A. No, I would not conclude that.

Q. You don't boggle at 210 out of 233? Where do you boggle, Doctor?

A. Well, you said "every." It's apparent that [375] concentration in banking is substantial throughout most of the metropolitan areas of the nation.

Q. Are you familiar with the terms, Doctor, of the 1966 amendment to the Bank Holding Company Act and the Bank Merger Act?

A. In general.

Q. Do you know that in the course of that Act that the Congress immunized all mergers which had taken place prior to that date?

A. Yes, I do.

Q. Is that some indication to you of Congressional dissatisfaction with this level of concentration?

A. Probably is an indication of the difficulty of asking——

Q. Doctor, if you would just——

A. ——the courts or the government of having to unscramble these matters and which would keep the courts busy for years.

MR. METZGER: Would you repeat the question and then we will try again.

THE WITNESS: In my judgment—that would be my judgment.

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[376] Q. Here's a quotation from an economic review which says "the issue is whether concentration is an adequate proxy for all the determinates of competitive behavior. If it were, the task of the economists would be much simpler but the history of industrial organization studies indicates that it is not. More importantly, the vagueness of the concept of the market in merger law leaves concentration data with little meaning."

Do you agree with that representation, Doctor?

[377] And answer the question and then you can say whatever you like?

A. No, I don't agree with that.

Q. Do you care to make any further comments on it?

A. Well, economists are in substantial disagreement about this matter.

Q. Are you aware that this is a quotation from your colleague in this case, Dr. Hall?

A. Well, I'm not surprised that Dr. Hall and I wouldn't

agree on everything. We haven't studied the same matters in every—our experience isn't the same.

Q. Doctor, you spoke ysterday in your summary of your testimony which you prepared, did you not?

A. Yes, sir.

Q. You spoke of a, quote, rapidly accelerating trend towards concentration in other markets in the state such as Colorado Springs, Boulder, and Sterling, end quote. How many banks were there in Colorado Springs in 1960, Doctor?

A. I can't give you the exact number.

Q. Do you know how many there are today?

A. Probably a slight increase?

Q. You don't know how many?

MR. METZGER: I'm referring to Defendants' Exhibit Number 2, Your Honor, which lists all banks in the State of [378] Colorado by year from 1950.

THE WITNESS: May I also see the document?

Q. Of course.

THE COURT: Sure. We will give him——

Is it in there?

MR. METZGER: It is our exhibit, Your Honor, copy of which is on your desk. Number 2.

THE COURT: Yes.

Q. Now, how many banks were there in Colorado Springs in 1960 according to this document, Doctor?

A. Seven.

Q. And how many are there today?

A. Twelve.

Q. And how many were there in the City of Boulder in 1960, Doctor? You may turn to the alphabetical listing of the City of Boulder which precedes——

A. It appears that there were five. Starting here, one, two, three——

Q. And how many are there today, Doctor?

A. Appears to be one more.

Q. And how many banks were there in Sterling in 1960, Doctor?

A. I believe three, possibly two.

Q. How many banks were there in Sterling, Doctor?

A. Two.

[379] Q. How many in Sterling today, Doctor?

A. Three.

Q. Now, can you name for me a single banking market in

the State of Colorado with fewer banks today than it had in 1960?

A. Probably not. There have been rapid entries into banking markets since 1960 in Colorado.

Q. You spoke also, Doctor, of the increase in concentration occasioned by the recent holding company movement. In what banking markets in the State of Colorado have holding company acquisitions occasioned diminished market shares for the remaining banks in those markets?

A. Well, what I was referring to is the linkage effect of the holding companies being in the major growth markets throughout the state; not to the specific concentration ratio in any specific market.

[380] Q. So that to the best of your knowledge in every market in the state there has been no impact of holding company movements into those markets as far as the shares of the banks in those markets are concernd?

A. Well, I am from Fort Collins.

Q. All right, let's talk about Fort Collins, Doctor. What is the dominant banking institution in Fort Collins?

A. The First National Bank, which is a member of the Western Bancorporation.

Q. When did it become a member of the Western Bancorporation?

A. Many years ago.

Q. Would you agree that it was 1956?

A. Yes.

Q. At that time what was the market share of the First National Bank of Fort Collins?

A. Well, generally the First National Bank of Fort Collins had increased its market share and is now really the leading bank in the city and——

Q. Doctor, you have before you a document which lists the market share in absolute dollars as of 1956 and as of today. Would you examine that document and tell me if I am correct that the market share of the First National Bank of Fort Collins is the same today as it was in 1956?

A. This doesn't show—at least, the pages I am [381] referring to—I am not generally familiar with this total document.

Q. Shows absolute figures, Doctor, which can be converted by a mathematical analysis to percentage terms. If you will accept my mathematics, it is a roughly 51 percent

market share in each year. Could note for me, Doctor, whether there have been any new banks in Fort Collins since the dominant bank in that market was taken over by the largest holding company in the world?

MR. SCHOEPKE: I object to that. I don't think the witness knows whether this is the largest holding company in the world.

MR. METZGER: All right, let me ask——

MR. SCHOEPKKE: I don't think it is relevant, either.

MR. METZGER: Your Honor, we have been told we will entrench the market share because of our enormous size.

Q. Dr. Walsh, what is the size of Western Bancorporation, if you know?

A. It is a very large multi-billion dollar company.

Q. Would you accept the figure of $11 billion in assets?

A. Possibly.

Q. Now, could you tell us, Doctor, if there have been any new banks organized in Fort Collins since 1956?

A. Well, let's see, Rocky Mountain Bank, very small. Fort Collins National Bank, very small. University National [382] Bank, very small. Very modest growth in those cases.

Q. Are these banks successful, Doctor?

A. Yes.

Q. Do these banks between themselves occupy a roughly ten percent share of the market in Fort Collins?

A. They appear to.

Q. So that they have not been intimidated from entering that marketing or becoming successful by the presence there of the largest holding company in the world, is that correct?

A. Well, I remember looking at a chart which showed that United Bank was losing out to First National Bank. One of the reasons why United Joined or sold out to United Bank Holding Company—it was the Poudre Valley Bank, where I had my checking acount—was because they felt threatened by the First National Bank.

Q. All right, which official of the Poudre Valley Bank told you that?

A. Well, this was contained in the summation application of the ABC Holding Company to——

MR. METZGER: I would move to strike such evidence as hearsay.

THE COURT: Overruled. He is entitled to answer that question. I mean when you get out in this kind of area, why, if he comes up with an answer you don't like, I am not going to strike it merely to get——

[383] MR. METZGER: I never even raised the subject of Poudre Valley Bank, Your Honor. It was dragged in by its heels.

THE WITNESS: Part of the market.

THE COURT: Well, that's not uncommon in this case, but go ahead.

Q. What is the other major affiliation of the Western Bancorporation in this state, Doctor? What other banks has it taken over?

A. Could I review the document on that?

Q. Of course, if you do not know, I believe that you will find that Defendants' Exhibit 3——

A. It is three banks.

Q. Yes, Defendants' Exhibit No. 3 lists the holding company affiliations as of year end 1970.

THE COURT: All right.

A. Well, it appears they have American National Bank in Denver with apparently deposits of $130 million, First National Bank of Fort Collins with deposits of $54 million, Continental National Bank of Englewood, deposits $36 million.

Q. Have you examined the impact of the Western Bancorporation in Englewood?

A. I have not, sir.

Q. Would you look at Englewood in Defendants' Exhibit No. 2 for identification, Doctor, and tell us whether or not in [384] your judgment the market share of the Continental National Bank has increased since the year 1956?

THE COURT: Is that the associate of Western?

MR. METZGER: Yes, sir, Your Honor, that is the Englewood associate of the Western Bancorporation, the Continental National Bank of Englewood.

A. It appears that their assets increased from 14.4 million to 36.2 million since 1956.

Q. And their market share?

A. That was a little hard to estimate accurately. The Englewood First National Bank assets increased from 20 million to 64 million in the same period.

Q. Will you accept my mathematics, Doctor, again that the market share is less than one percent, plus or minus?

A. I have no judgment on it.

Q. And has there been a new bank organized in Englewood since 1956?

A. One, yes, sir.

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[386] Q. All right, you spoke yesterday on the question of the First National Bancorporation being a potential entrant into banking in the Greeley area. You stated that the critical [387] question in your mind as to potential entrants was whether or not they are capable of entering or not by acquisition, whether or not they have the incentive to enter, and whether or not they have the ability to do so. I believe that generally summarizes your idea of what makes somebody a potential entrant.

A. The ability relative to other possible——

Q. All right, how many dollars would it take for me to open a bank in Greeley, Colorado?

O. Oh, more than you could accumulate out of your salary, but not a large amount, but something like—out of my salary, I should say, as a teacher.

THE COURT: He doesn't get a salary.

A. (Continued) But something like in the order of several hundred thousand dollars.

Q. You don't know?

A. A hundred thousand or thereabouts. It is not a great amount.

Q. Now, on the question of the relative desirability of the Greeley area, could you tell us how much faster the deposit base is growing in Greeley than in the rest of the state?

A. No, I cannot.

MR. METZGER: May I ask the witness be shown a copy of Plaintiff's Exhibit No. 90?

[388] (Exhibit was handed to witness.)

THE COURT: This is overall deposits of every kind?

MR. METZGER: Yes, Your Honor, we will bring the facts out.

THE COURT: He now has the exhibit in front of him.

MR. METZGER: This is Government's Exhibit No. 90, Your Honor, which relates to gross sales in Weld County and the City of Greeley.

Q. By observation, Doctor, year end 1970, Greeley constituted 83 percent of the retail sales of the county, is that correct?

A. What year? What year is that?

Q. Year end 1970.

MR. SCHOEPKE: Counsel, No. 90 is concerned with gross sales.

MR. METZGER: That's right.

MR. SCHOEPKE: Well, you are questioning him on retail sales.

THE COURT: Now, just talk to me, if you will.

MR. SCHOEPKE: I am sorry, Your Honor. He is asking the witness about retail sales, but the document, Exhibit 90, that he has asked the witness to be shown is concerned with gross sales.

MR. METZGER: If there is any doubt, may I correct myself to gross sales.

[389] THE COURT: I think he asked him about gross sales anyway. At least he said Exhibit 90 was the gross sales of Greeley.

MR. METZGER: Yes, sir.

Q. Well, would you accept my mathematics again, Doctor, that 365.8 million out of 444.2 million is 83 percent?

A. Yes, sir.

Q. And that this share increased from—well, the first year we can compare, in 1961, where we had 148.7 versus 95.8, I again ask you to accept my mathematics, is 61 percent.

A. Yes.

Q. Would you conclude from that that the City of Greeley as a focus of sale activity in Weld County has been growing substantially?

A. Well, yes.

Q. Now, we come, Doctor, to the question of Greeley as a boom area. Now, Doctor, you are an expert, an acknowledged expert in agricultural economics, and I should like to ask you the question of whether or not the movement from the farm as the development of better machinery has done away with the need for a considerable portion of the agricultural workers has not occasioned throughout the country to your knowledge as an expert the movement from the farm into the main cities of that community and outside of those counties? Is that a fair summary?

[390] A. This is a well known national trend.

Q. I should like to show you Defendants' Exhibit No. 5, which lists the population of all counties in the State of Colorado in 1940 and 1970.

A. Yes.

Q. And I ask you to note the population growth of the county of Weld County in that thirty-year span. If you will turn to the second page, you will see Weld County's percentage increase from 1940 to 1970. What was that percentage increase, Doctor, at the bottom of the page?

A. Forty percent.

Q. And what was the increase of the state?

A. 96.5 percent.

Q. And if you know what was the increase of the United States during that same period? It is not there, Doctor?

A. Well——

Q. I think the Court can take judicial notice of the fact that it is roughly 52 percent.

A. May I also observe on this same chart that from 1960 to 1970 the State of Colorado grew by 25.8 and Weld County nearly as fast, 23.4.

Q. Yes, but would you say a single ten-year period should be the basis of your analysis, or somewhat longer period?

A. Well, things have changed a good deal since 1940 in the front range of Colorado.

[391] Q. Let's turn to the next exhibit, Exhibit No. 6, which shows the population of all Colorado cities by size categories from 1940 to 1970, and you will find listed on the first page all cities of 50,000 or larger and all cities of 25,000 to 50,000 in the State of Colorado or communities by census designation. I ask you to observe, Doctor, that the growth of the City of Greeley in this time span has been eleventh of the thirteen largest cities by percentage.

A. This does not show percentage.

* * * * *

[392] Mr. Metzger: I asked the witness to accept my mathematics that the percentage increase of the Greeley population between 1940 and 1970 was eleventh of the thirteen.

Q. And to save you time, Doctor, that the twelfth and thirteenth were respectively Denver and Pueblo.

A. Yes, this shows that the front range is growing very rapidly, and that Greeley is sharing that growth.

Q. And is it not true that the absolute growth of No. 12 and No. 13 was significantly larger than the absolute growth of the City of Greeley during that time span?

A. Are these listed in order?

Q. Yes, those are the order of size population group, Denver and Pueblo, yes. You said yes?

THE COURT: Numbers that you are referring to now?

MR. METZGER: Absolute numbers, yes, Your Honor.

A. Of course, Denver would grow in absolute numbers.

[393] Q. Of course, but insofar as numbers are relevant to the consideration of the establishment of new banking institutions, I think you will agree with me, Doctor, that in terms of percentages, eleventh, tenth in terms of absolute figures, all thirteen of the major metropolitan areas of Colorado have had greater incentives for new bank organizations than the City of Greeley.

A. You are cutting hairs. Everyone knows that the front range is a rapidly growing area.

Q. Now, you suggested that Greeley is a peculiarly attractive area.

A. It is an attractive area.

Q. Is it more attractive than these other markets?

A. Well, the front range is a very attractive area, Greeley included.

Q. Well, then, Doctor, all major metropolitan areas in Colorado are attractive areas, is that what you are saying?

A. No, no.

Q. What would you say of these 13 are not?

A. Well, I suppose all of these particular 13 are.

Q. Are these the 13 largest communities in Colorado?

A. Well, they probably weren't in 1940. You mean today or in 1940? This chart shows the whole time period, '40, '50, '60 and '70, and it is labeled population centers.

Q. Today.

[394] A. Well, Denver is obviously No. 1. Colorado Springs is obviously No. 2. Now, if you include the metropolitan area, some of these communities would be included in Denver. The metropolitan areas of Denver are growing very rapidly, as in any major city in the West.

Q. Now, Doctor, let's just pursue that one step further. Did Weld County grow at a faster rate than Boulder County in this time period?

A. Greeley grew at a rapid rate.

Q. All right, did Greeley grow at a more rapid rate than Boulder?

A. Boulder has grown very rapidly.

Q. Which grew faster?

A. Boulder grew a little bit faster. It is a little closer to Denver, a little bit more in the Denver metropolitan area.

Q. A little bit faster or a great deal faster?

A. Boulder is a very rapidly growing community. It shows that Boulder increased in population from about 13 million in 1940 to nearly 67 million in 1970.

Q. I believe that was 13,000.

A. Thousand.

Q. All right, how many banks are there in Boulder, Doctor?

A. Four—five.

[395] Q. I believe a look at Defendants' Exhibit No. 2 would show that the number is now six. How many banks are there in Greeley, Doctor?

A. Four.

Q. Well, would you agree with me that there are six banks and four bank organizations, but six banks?

A. Yes.

Q. And are you aware, Doctor, that the regulatory agency has twice within the last year turned down new banking organization applications in the City of Boulder?

A. Generally.

Q. And are you aware of the grounds they cited for the denial of these new applications?

A. I am not.

* * * * *

[397] (By Mr. Metzger) Dr. Walsh, if we may advert once more to the growth of the City of Greeley—we will take a look at the Exhibit Number 7, which shows the resident population at the Northern Colorado College. I believe that it shows that the student population has grown some six odd thousand in the last ten years.

A. Yes, it does.

Q. Is that not, Doctor, one-half of the population growth of the City of Greeley during that time span?

A. It would be a significant aspect in the growth of the total population of Greeley, yes.

Q. Now, let me ask you this question. Are student deposits substantial with relation to their numbers?

THE COURT: You mean in general?
MR. METZGER: In general, Your Honor.

A. To say students have a lot of money, deposits in banks and that students have capacity to borrow large funds from banks—I suppose the obvious answer is that of course not.
Q. Okay. Then——
A. Very closely related to their father's support.
Q. Then, looking at the——

THE COURT: They put a lot in the bank but it [398] doesn't stay long.
THE WITNESS: Probably doesn't stay long.

Q. Looking at the full-time growth, that is, the residential growth of the City of Greeley, I think if you will again accept my mathematics that if you strip out the student growth that the growth of the City of Greeley is about 23.8 percent, almost precisely the same figure as Weld County as a whole. Does that change your view that Weld Couny is a—or that Greeley is a boom area relative to the rest of Colorado?
A. I said that Greeley is a boom area. That conclusion doesn't change at all. It's so obvious to any citizen of Colorado. It's a boom area. It's a rapidly-expanding economy.
Q. But you don't think that the fact that half of that growth is resident students——
A. Half of the economic growth of the community of Greeley is not students. There is a good deal of economic activity going on in Greeley; growth activity, that is not related to students. Well, in some there is. The construction of new facilities at the university; the salaries and the number of faculty which nearly—have nearly doubled from 1960 to 1970.
Q. Yes, I included those, Doctor, as part of the permanent resident growth. I have not attempted to separate [399] the service employees or the faculty or the maintenance employees of the college. I consider those as part of the permanent growth. Nevertheless, the permanent growth of the city is, is it not, no more than the rate of the county as a whole and less than the rate of the state as a whole, is that not correct?
A. I'm——
Q. Just answer the question, Doctor, and then you can say anything you like.
A. Yes. It's interesting to me that whereas Pueblo is

the third largest city in the state, that Greeley has larger bank activity than Pueblo. Greeley is a strong economy. It's an area with strong banking. It's a rapid-growing area. The population isn't all that significant in that regard.

Q. Doctor, is population per office significant in that regard—per banking office? Is that a significant factor in determining the attractiveness of the banking market?

A. It is used as a factor.

Q. All right, Doctor.

A. One of several factors.

Q. Do you know that this is considered to be a critically important factor by the regulatory agencies in making their assessments?

[400] A. I know they use that factor.

Q. It is one of the most important factors they use?

A. I don't know that by personal knowledge.

Q. Doctor, I show you Defendants' Exhibit for identification Number 40, which shows the population per banking office of all Colorado counties over 50,000 in population. Would you tell me, Doctor, of the counties in the state with a population of 50,000 or more, what is the one with the lowest population per banking office? Would you answer the question.

A. Here again, this requires me to divide each of these——

Mr. Metzger: May I ask the witness to be instructed to answer the question before entering upon his dialogue?

The Court: Well, he can look at the document. If he can answer it, why, okay.

Can you answer it? Do you know?

The Witness: I can't answer it without going through some calculations here.

Mr. Metzger: The calculations have been made on the document, Your Honor.

The Witness: I stand corrected, sir. I'm corrected on that.

The Court: Well, examine it. If you can answer the question——

[401] A. I can answer the question. I'm mistaken. The one with the lowest population per banking office is Weld County.

Q. Perceptibly?

A. Of counties with 50,000 or more employees.

Q. Perceptibly so, is it not, sir? Substantial, distinct difference, isn't it?

A. It is one-half of the Boulder County, which is the next county in rank.

Q. And yet Boulder County has had two bank applications turned down in the past year, is that not correct, Doctor?

A. That's my understanding.

Q. Would you turn to the next defendants' exhibit for identification, Doctor, Number 41, which shows all cities of 15,000 or larger in the State of Colorado in population per office of those cities, and of the cities of 15,000 or larger in the State of Colorado, Doctor, which is the city with the lowest population per banking office?

A. Greeley.

Q. Now, Doctor, you spoke in your testimony yesterday of the prospect that, if allowed to move into——

THE COURT: What document is he looking at?

MR. METZGER: Number 41, Defendants' Exhibit for [402] identification Number 41.

THE COURT: I'm not sure what office means.

MR. METZGER: There are six banking offices in Greeley, Your Honor. You take the population of the city——

THE COURT: You mean banks?

MR. METZGER: Yes, Your Honor.

THE COURT: All right. That's all I wanted to know. I had not seen this exhibit.

MR. METZGER: 40 and 41 were the two documents we just referred to.

THE COURT: Yes.

Q. (By Mr. Metzger) Now, Doctor, you spoke yesterday of one—that one problem of entrenchment was that, if you allowed the First National Bancorporation to enter Greeley or similar markets that one result would be preemption of sites before those sites were truly available for new banking offices, did you not? That that would be one entrenchment, effect, of allowing this acquisition?

A. Moving into new developing suburbs and shopping centers is one of the examples of entrenchment, yes.

Q. Before those shopping centers are really ready to handle a new bank? Was that not the substance of your testimony?

A. Well, being on the scene, having substantial [403] re-

sources, the capability to move quickly into new opportunities.

Q. Doctor, if I have a banking office in Greeley and I want to put an office in a shopping center, do I go out and make a lease and hire some people?

A. You make application to the authorities.

Q. To whom?

A. Well, to the Federal Reserve Board.

Q. Do I just make application to the Federal Reserve Board or do I have to make application to someone else as well?

A. Well, the banking authorities, of course.

Q. Which banking authorities, Doctor?

MR. SCHOEPKE: Well, if Your Honor please, I don't think we have ever qualified him as a banking expert. He is an industrial organization man, I believe.

MR. METZGER: The doctor testified that we would preempt sites and I would like to inquire how we can go about preempting sites given the regulatory formulations we must go through. I think this is a very legitimate area of inquiry given the testimony of this witness.

THE COURT: You said they could preempt sites. What did you mean by that, if you did?

THE WITNESS: Well, I did not mean that they would not go through the proper channels in getting authority [404] before they built a bank or otherwise established a new site.

Q. Suppose I want to——

THE COURT: You mean physical site? Is that what you're talking about?

THE WITNESS: Yes, a new bank in a suburb—you would have to get permission from the authorities to do so, of course.

Q. Let us assume I wanted to establish a new bank in this suburb. What would I have to do?

A. You would have to file an application.

Q. And prove what?

A. I'm not competent to answer all the proofs that one has to show. I have examined the applications here in this particular case and they show some of the matters that are looked at in filing that application—or show all the matters looked at in filing the application in those cases.

Q. Do you know the criteria utilized by the Comptroller of the Currency in evaluating that application?

A. Well, it looks at matters with regard to convenience and need; looks at matters with regard to the effect on competition in general. You want me to be more specific?

Q. Yes, I would like you to be much more specific, Doctor. There are statutory criteria that we must use. If you don't know what they are, just say so. I'm just [405] trying to inquire into the background of your representation that we could preempt the sites. If you do not know what the criteria utilized are, that answer would be satisfactory.

A. Well, I know in general what criteria are used in making an application to open a new bank. These are as I have just mentioned.

Q. All right, Doctor. How many names must I put on my application chart for organization?

A. I heard in the court yesterday that one competition banker was sufficient.

Q. Well, that's not true, Doctor. But, going to the next point——

A. Perhaps three.

Q. How much money would I have to, as a minimum, commit to capital of this bank with the Comptroller of the Currency?

A. It's something like forty to a hundred thousand dollars; depends on the situation.

Q. Do you know what the situation is in Greeley which has a statutory minimum?

A. Not exactly.

Q. Do you know what criteria must be satisfied to the Comptroller with regard to the suitability of the area and what is the prime consideration evaluated by the Comptroller in analyzing whether he will grant a charter?

[406] A. Well, he is concerned with, in his judgment, whether the area needs a new bank.

Q. And how does he evaluate that, Doctor?

A. Well, he looks at the situation in the market. He makes a judgment about whether he thinks a new bank should enter.

Q. How does he go about making that judgment? What does he do?

Mr. Schoepke: Your Honor, I really don't think this witness has ever represented himself as qualified on the detailed procedures by which a particular regulatory agency

goes through its process of deciding whether to issue a new charter. If counsel wishes to bring that out——

THE COURT: He can say he doesn't know, if he wishes. I think that's all it takes.

MR. SCHOEPKE: I believe he said it——

THE COURT: And, they will quit tormenting him on this subject if he would just say, "I don't know." Otherwise, he will continue. Just take your choice.

Q. Doctor, would you take your choice?

A. I don't know all the details that go into each of these documents.

MR. METZGER: Your Honor, I think a sufficient predicate has been laid to strike the testimony of this witness insofar as it relates to the question of entry into [407] any market in this state, since the witness plainly has no knowledge of what criteria are utilized; how they are evaluated or what steps are taken in order to assume to decide whether or not we would enter that market.

THE COURT: Denied. Let's get on with the next subject.

Q. Now, you spoke yesterday, Doctor, of the wings theory; that there was a disciplining effect of having the First National Bank of Denver not in the market but so disciplining those banks that—in the market that their competitive behavior was materially altered by their fear that they might, by the improper competitive conduct, induce the First National Bank of Denver to enter this market.

Is that not the substance of your wings theory testimony?

A. Yes, sir.

[408] Q. Now, Doctor, if the banks who are in this market were to tell us that they had no disciplining effect, that they have never felt any disciplining effect from the First National Bank of Denver, and that they have never considered this in their competitive judgment, what would happen if—what would happen to the attractiveness of the market to First National Bank of Denver if they had made a particular or didn't make a particular competitive judgment? Would that change your conclusion as to the disciplining effect of the First National Bank of Denver in the wings?

A. No, and I would be very surprised if that kind of testimony would appear.

Q. But if you heard it, if you heard it, it wouldn't make any difference?

A. I would suspect that if that occurred it would be bebecause of failure to use the right terminology. I think in the business community the term that's most often used from businessmen I have talked to, rather than being potential competition, when they mean that they say invasion. They say threatened invasion, and it is my observation in talking to businessmen including bankers in a specific case where we were trying to develop a management game, Your Honor, where we would bring in businessmen in local areas and try to set up on a computer a management game consistent with the kind of competition they faced in that market and when we first set it [409] up we just limited competition to the single market and we ran that for a few days and the results were that profits got higher and higher, but they said it wasn't correct, that's not the way the real world works. The way the real world works in terms of relationship between local markets is that there is a threatened —if you exceed some level of price, if you fail to provide the services in your market and if there is a substantial firm on the adjoining market or outside the market, you run the risk that that firm may invade your market in part and, for example, in dairying, if a bottling-dairying company in the game raises prices above the particular level, built into the game is an invasion effect of the firm coming in and capturing some of that market, and then it might back out at a later time.

Q. Can a bank just invade somebody else's market, charge in on its horse?

A. Well, in this particular case we established yesterday that the First National Bancorporation solicits business in the Greeley area. It has some share of the farm loans. It has some share of the other loans, too.

Q. I think we just agreed this morning, Doctor, so far as we can tell, those loans do not reflect any competition whatsoever.

A. That's your judgment, not mine.

* * * * *

[410] A. Different than direct competition. This is threatened.

Q. Let me rephrase the question for you. If I am not

aware of a threat, is it your testimony that my conduct is nevertheless influenced by that threat?

A. My testimony would be that with regard to your awareness, if you are not, you are going to get invasion at some point if you get out of line in regard to competitive practices. This is just the way the real world works.

MR. METZGER: Would the reporter repeat the question to the witness, and would you listen carefully and answer the question first?

(The reporter read the pending question aloud.)

MR. SCHOEPKE: Your Honor, I believe he answered the question. This is cross-examination.

THE COURT: Well, we will try it one more time.

Q. Would you like to have it read again?

THE COURT: Assuming he didn't know about the threat.

A. Yes. Well, they will—what will happen is that if they don't know about the threat, and this happens as we [411] use it in our training program, management decision-making, is that the market is invaded. The firm in the market loses part of its operation in that market.

Q. Doctor, I don't believe——

A. And it loses profits.

THE COURT: Well, I don't suppose they are going to be apprehensive if they don't know about it. On the other hand, if it is an organization of the magnitude of the First National Bank and they are making some effort to get into the community, I expect that any denials that they make that they are aware of it are just going to fall by the wayside. I think that's what he means. You are talking about two different subjects.

MR. METZGER: All right, Your Honor.

THE COURT: Is that true?

THE WITNESS: Yes, sir.

* * * * *

[412] Q. Doctor, you stated yesterday that based on your expert knowledge that the Greeley area is attractive for entry by commercial banking organizations which do not presently have offices there. Is that not a correct summary [413] of what you said, Doctor?

A. Well, I said that Greeley has a substantial economic activity and that this is an objective test of the interest of the First National Bancorporation to enter that market.

Q. Let me read from your prepared statement, Doctor, where you say that, "Dr. Walsh will testify that the commercial banks in Greeley have grown substantially over the last ten years, and that concentrated nature of the banking market there make these markets attractive for entry by commercial banking organizations which do not presently have offices there. This again is based on his expert knowledge." Are you contesting that this is not what you testified to?

A. Will you separate those out? There is more than one point there. I want to get that done before I——

MR. METZGER: Do you have a copy——

MR. SCHOEPKE: Not with us.

Q. Let me read it again. "Dr. Walsh will testify that the commercial banks in Greeley have grown substantially in the last ten years, and that the growth of Greeley and the concentrated nature of the banking markets there make these markets attractive for entry by commercial banking organizations which do not presently have offices there. This again is based upon his expert knowledge." Is that the substance of your testimony to that question?

A. Yes, sir. Well, I didn't testify—that's not my [414] statement, but that's what I admit.

Q. I thought it was your statement, entitled "Plaintiff's Second Supplemental Answer to Defendants' Interrogatory of Expert Witness."

THE COURT: Well, it is a paraphrase, obviously. It is a first party statement prepared by the lawyer.

MR. METZGER: The witness testified yesterday, Your Honor, that he prepared this document. I can cite the record, if you wish me to secure it.

THE COURT: He did? Did you write that document up?

THE WITNESS: Well, in general substance. I did prepare my vitae and I may have been responding to the vitae question, but that's my document, of course.

Q. This is your document?

A. Of course.

Q. This is your statement? All right, if this market is attractive for entry by commercial banking organizations which do not presently have offices there, would you tell us, Doctor, how many commercial banking organizations which

ot presently have offices there have applied for new ters in the Greeley area within the last ten years.

I'm not sure I know how many have applied.

With the Court's indulgence, I will find it for you. I here, Doctor, Defendants' Exhibit No. 25 for identifica- which lists all approvals and denials of [415] Charter ications in the State of Colorado in the period, for onal banks 1961 to date, and for state banks 1954 to

I have not had a chance to examine this document, re this time.

I understand that, Doctor, but you did testify the area tractive for entry, and I think this is applicable to that tion, how many charter applications commercial banks made in this area.

It shows West Greeley National Bank of 1963.

I believe that the West Greeley National Bank, Doctor, ou will recall, is a subsidiary of the Greeley National k, which is already in the market.

All right, this is just a two-page document?

You will find state charters following.

Yes.

Can we agree, Doctor, that there has been no com- ial banking organizations not presently having banking s in Greeley which have applied for charters therein in ast 20 years?

R. SCHOEPKE: Your Honor, I do not believe the witness inished looking at the document yet.

Here is a Greeley application, 1963.

You are talking about the West Greeley National k?

] A. All it says is Greeley, 1963, and it is listed under Action."

Well, to save time, Doctor, you are not aware of any nercial banking organization which has applied for a ter in Greeley which did not already have offices in that ket, is that correct?

I do not have any personal knowledge with regard to matter.

All right. Thank you, Doctor.

octor, is the State Bank of Greeley relevant to your ysis of whether or not this market should be attractive

to new entrants? Are you familiar with the State Bank of Greeley?

A. I have visited the State Bank of Greeley.

Q. Are you aware that that is a conversion of an industrial bank which was previously headquartered in this state?

A. Yes.

Q. Are you aware of the deposit base at the time it converted?

A. Substantially different than the usual commercial bank.

Q. Are you aware that it had a deposit at that time of about $1,400,000?

A. That sounds reasonable.

[417] Q. When was that, Doctor?

A. Oh, a few years back.

Q. Would you agree 1965?

A. Yes.

Q. What is the deposit base of that organization today, Doctor?

A. Rather modest growth.

Q. Would you agree that the deposit base is about $2 million?

A. Sounds about correct.

Q. Would you agree that that was a relevant consideration of anyone examining whether or not he might think that was an attractive market to enter?

A. You mean examining the experience from 1965 to 1970 of this bank to gauge whether you as a new banking organization might enter that market?

Q. Right.

A. Well, I suppose you will consider it.

Q. All right, Doctor, you testified yesterday with regard to at least 150 government exhibits. Were these prepared by you?

A. No, they were not.

Q. Were they prepared at your offices in Fort Collins?

A. They were not.

Q. Where were they prepared?

[418] A. Justice Department prepared them.

Q. I would like to inquire whether you believe that industrial organization standards are automatically applicable

in banking, and I would like to quote to you again from an economic writer on this subject.

"The choice of criteria for bank holding company expansion cannot be settled by simple analogy to industrial merger policy and resolved in favor of maximizing the percentage of internal to total growth."

Do you agree with this?

A. Well, I think you have to add convenience and need to your consideration. Banking merger——

Q. Suppose we are just talking about competition.

A. Well, you have to consider competition in banking mergers.

Q. But in the choice of criteria for bank holding company expansion and considering only the competitive factors, do you believe that you can just take industrial merger policy and apply it blanketly to the growth of bank holding companies?

A. What industrial merger policy are you referring to?

Q. Industrial merger policy generally that you have told us that you are an expert in.

A. The whole industrial merger policy?

Q. Yes. Can you take that policy, that general policy that you have been testifying to, and apply it——

[419] A. The policy today?

Q. ——generally to banking?

A. The policy today of the Justice Department or the policy of whom?

Q. No, the policy as advocated by economic theorists, to which you prescribe and testified yesterday.

A. Well, the survival of individual banks is very critical, because if they don't survive there is a loss of deposits and great hardship on communities. There is that aspect of bank mergers. It isn't as critical in the case of the steel industry or in the case of local grocery stores as it is in the case of banking.

Q. You agree not only you can apply these criteria to banking, but even more so, is that what you are telling me?

A. I am saying that survival of banks is more critical than in the case of other industries.

Q. Then industrial policy should be applied more severely than in other cases?

A. Severely? I don't like that term.

* * * * *

[420] Q. Let's try another, "Regulation precludes direct application of the doctrines developed for nonregulated industries. Banking provides an apt illustration. A deconcentrated market composed of small banks is not necessarily more competitive in behavior or results than a concentrated one." Do you agree with that quotation, Doctor?

* * * * *

[423] MR. METZGER: Well, I think that when you're dealing with economic witnesses that one should explore the underlying theories advanced. This witness has testified that atomistic banking is more desirable than banking—than banks of different sizes reflecting different economies of [424] scale, depending upon different kinds of customer relationships, and I want to see if he believes that is necessarily true in all instances. That that is more competitive in every place; necessarily more competitive.

THE COURT: Okay.

A. I believe that reductions in concentration are generally more competitive than increases in concentration. That is generally true.

* * * * *

[425] Q. Doctor, yesterday you testified that commercial and industrial loans were the largest area of interest in this bank, the First National of Greeley. Would you [426] care to restate your answer to that question?

A. Well, as I recall, checking one of the accounts and having made a note that these types of loans accounted for 40 percent of their gross revenue of the bank.

Q. Would you agree that, by examining your own documents, you will see that the farm loans which were reversed on your tables when you first saw them are the larger and not the commercial and industrial?

A. Is that right? Has the table been corrected in that respect?

Q. Your table recited commercial and industrial where it meant farm.

A. Is that right? I'm not aware of that.

MR. SCHOEPKE: I believe that table was corrected.

MR. METZGER: Yes, but the witness did not see the correction.

MR. SCHOEPKE: And the new corrected version was what

the witness was shown. The corrections were made before this trial started.

THE WITNESS: Yes, and I made my notes earlier, yes.

Q. Yes, Doctor. And you would say then that the farm loans are the largest share of the lending activity of this bank on the corrected record, would you not?

A. If they are 40 percent, yes, of gross income. [427] If If they're 40 percent of gross income, yes.

Q. All right, Doctor. Your testimony, Doctor, then was from your notes and not from your document itself, is that correct?

A. That particular statement is the case, yes. Most of my testimony, however, was from documents. I couldn't remember all those numbers.

MR. METZGER: Your Honor, may I consult for a moment?

THE COURT: Surely.

Would you say that the Greeley market is so attractive that a bank of the size and quality of the First National is certain to become a competitor?

THE WITNESS: No, sir, Your Honor. I don't think we deal in certainties. I think that it was shown by the objective tests that we applied that they are probably the most significant potential competitor, the largest.

THE COURT: Yes, but this assumes that they will organize an outlet if this acquisition is not successful.

A. Well, it's not necessary for them to organize any new outlet for them to be a significant potential competitor and have a wings effect on that market.

THE COURT: Well, then, regardless of whether they actually go in there or not, you're saying that—You're not saying there is a probability that they will go in?

[428] THE WITNESS: No, I'm saying the probability is that they are a potential significant competitor on the wings. They add a competitive—potential competitive element to that market.

THE COURT: And then, if the status quo is maintained, you say that the sum total effect on competition in this area would be more desirable than if they made this acquisition?

THE WITNESS: Yes, sir. Then they would remain on the edge of the market as a potential invader.

[429] THE COURT: So really that is the sum and substance and total basis for your opinion?

THE WITNESS: That's the main point, Your Honor.

THE COURT: But it looks to the future almost entirely, doesn't it?

THE WITNESS: Yes, it does.

THE COURT: There is no present basis for this assertion?

THE WITNESS: Well, the present basis is the fact that they are generating some loans. They are active as they are a potential competitor in that market.

THE COURT: As a potential competitor?

THE WITNESS: Yes, sir. Plus the objective criteria which defines them as a potential competitor.

THE COURT: Well, this seems to me to be the crucial question as far as the testimony is concerned.

Do you have anything further?

Q. (By Mr. Metzger) Just to hammer that home, Doctor, it is your view that the banks in Greeley are affected in their competitive conduct by the prospect that if they change their conduct the First National Bank of Denver might set up an affiliate there? Is that true or is it false?

A. This is a long-run thing. It's to protect the opportunities for this potential competition to occur.

Q. I don't think you heard the question, Doctor.

[430] MR. METZGER: Could you read it please, Mr. Reporter.

THE COURT: May I ask you this. If they go in there, won't—the reality of the situation is that they—your premise, your basis is that they will not compete if they are actually in there with this acquisition?

THE WITNESS: That it removes them as a potential competitor where they would exist without the acquisition.

THE COURT: In other words, it will reduce the actual—the potential competition if they are there, is that right?

THE WITNESS: Through this merger.

THE COURT: Why is that?

THE WITNESS: Because they are not any longer on the wings. They're in there as a member of the——

THE COURT: Why wouldn't there be some competition as a result of their being in there? I mean, with the other banks? And, particularly the Greeley National.

THE WITNESS: From a structural point of view, you have three dominant banks plus one on the edge. Put that one on the edge in the middle. Now you're in the market. And, you have only got three dominant banks. You have removed one structural feature of that market.

Q. (By Mr. Metzger) Doctor, are you saying that there is no one else who could enter in this market other than the First National of Denver?

[431] A. No, sir.

Q. Are you saying there is no one else who could enter that market and take a five or six or seven percent share of that market within a few years?

A. Is there something in between yes or no?

Q. Answer yes or no and then make any speeches you like, Doctor.

A. I'm not denying that that could occur.

Q. You're not denying that that could be true?

A. It's speculative, however.

Q. Have you not stated in your past writings, Doctor, that that kind of entry of a five or six percent competitor is significant enough to destroy the entry barrier problem?

A. I would never testify that on a five or six percent share of the Greeley banking market, would be a very significant competitor.

Q. You didn't say a very significant competitor, Doctor.

A. Would be a significant competitor.

Q. Doctor, I asked you whether or not you have previously written on the subject of entry barriers and stated that if an organization could come in and take five or six percent or more share, that that destroyed the problem of entry barriers. Have you written to that effect or not, yes or no?

[432] A. I don't recall.

* * * * *

[435] REDIRECT EXAMINATION

By MR. SCHOEPKE:

Q. Dr. Walsh, this morning in your cross-examination by Mr. Metzger, you indicated in discussing concentrated markets that you did not consider the State of Colorado as a banking market in the same sense as you had been talking about yesterday. Do you recall that?

A. Yes, sir.

Q. Now, do you mean by that that you are not concerned in your analysis with banking concentration in Colorado, with statewide banking concentration in Colorado, the State of Colorado as a whole?

A. No, I——

Q. Would you explain, please?

A. As I testified yesterday, one of the effects of the kind of merger as in Greeley is to link the major growth markets, link the major firms in those growth markets with the major firms in the Denver market, which is itself a concentrated, highly concentrated market, and that this has the effect of extending the influence of the Denver oligopoly throughout the state, throughout the areas of growth markets in the state, and that this trend extends [436] the potential to use this kind of market power as excess itself in the Denver market throughout those markets.

Parallel actions, as we discussed yesterday, limit the alternatives of buyers of banking services throughout the state to just those few firms that permeate each market as coming out of the Denver central market.

Q. Now, in his cross-examination this morning, Dr. Walsh, Mr. Metzger discussed with you the number of banks in Colorado Springs as compared with the number of banks elsewhere in the state in 1960 as compared with 1970, do you recall that?

A. Yes, sir.

Q. Dr. Walsh, I show you Plaintiff's Exhibits for identification 146, 147 and 148, and ask you if you recognize them?

A. Yes, I do.

[437] Q. Did you utilize them in connection with your analysis of the competitive—in your competitive analysis with respect to the State of Colorado?

A. Yes, I did.

Mr. Schoepke: At this time, Your Honor, I would renew my offer to admit these in evidence.

The Court: Okay. Do you have any real objection to it in view of his expression as to the purpose?

Mr. Metzger: For the record, yes, Your Honor, but in answer to your question directly, no.

The Court: Very well. That's fine.

(Whereupon, Plaintiff's Exhibits 146, 147 and 148 were received in evidence.)

Q. (By Mr. Schoepke) Mr. Walsh, I believe that this morning Mr. Metzger also discussed with you this banking situation in the City of Boulder, the number of banks in

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1960 as compared with the number of banks in 1970. Do you recall that?

A. Yes, I do.

• • • • •

[439] Q. Dr. Walsh, I now show you—Well, first, Dr. Walsh, you recall that this morning Mr. Metzger also asked —[440] discussed with you the banking situation in the City of Sterling.

• • • • •

Q. (By Mr. Schoepke) Dr. Walsh, in connection with Plaintiff's Exhibits 146, 147 and 148, would you state whether [441] or not in your opinion as an industrial organization and market share economist you consider banking in Colorado Springs to be concentrated?

A. I do.

Q. And for what reason?

A. Because the document shows out of the total assets of commercial banks in the City of Colorado Springs and El Paso County $305 million. That the First National Bank of Colorado Springs has 31 percent of the market of the county. The Exchange National Bank has 17.8 percent of the county. Colorado Springs National Bank has 13.2 percent of the county, and the next largest bank, Central Colorado Bank has 8.3 percent. This is well above the 50 percent standard accepted widely in the field of industrial organization of the eight largest banks. Here we have four with substantially more than the market share of 50 percent.

Q. Now, directing your attention to Plaintiff's Exhibit in Evidence No. 165, 166 and 167, I would like to ask you whether in your opinion as an industrial organization economist the banking structure in Boulder is concentrated.

A. Yes, it is, for the same reason. For example, Plaintiff's Exhibit 165 shows for total assets commercial banks in the City of Boulder and Boulder County in 1970, that the First National Bank in Boulder had 34 percent of the city, 31—32 percent of the county. The National State [442] Bank had 23 percent of the city and nearly 17 percent of the county. Boulder National Bank had 8.5 percent of the city and 6.1 percent of the county. United Bank of Boulder had 17.1 percent of the city, 12.3 percent of the county. Here again that is a concentrated market.

[443] Q. Now, Dr. Walsh, directing your attention to plaintiff's exhibits in evidence, Numbers 129, 130 and 131,

which deal with the City of Sterling and Logan County, I wonder if you would tell us whether in your opinion as an industrial organization economist, whether or not banking in Logan County is concentrated?

A. Plaintiff's Exhibit Number 129 shows for total assets of commercial banks in the City of Sterling, Logan County, that Security State Bank, Sterling, had 54 percent of the bank assets in the city, 52 percent in the county, total assets of 46.4 million dollars.

MR. METZGER: Your Honor, may I interrupt at this point and object to this line of inquiry on the grounds that it is coming to the point with the characterizations of this witness that the defendants are, if the Court allows this line of answers to stand, going to have to make a substantial response on the terms of the merits involved as to each of these situations. I do not think that helps anybody here.

THE COURT: Well, so far as he is just having him testify as to the percentage——

MR. METZGER: No, he is characterizing it. He says that these are concentrated markets, that this has certain meanings. Now, there are other people—like the Federal Reserve Board which have assigned different meanings to these [444] The Comptroller of the Currency has assigned different meanings to the characterization of the Boulder market, for example, as being concentrated. In order to analyze the level of concentration we would have to get to the quality of the banking services performed by National State, which is in the minds of the regulatory agency an endangered institution. This raises questions also about what are the markets involved in these things? If these things go in the record with these characterizations, counsel can pick them out like little cherries and stick them on the wall. Unless I have my cherries, too, his appellate papers are going to look much more valid than they are, if this line of inquiry is permitted.

I respectfully urge the Court not to permit us to develop any statistics, any concentration ratios, any conclusions with regard to these other markets which are still speculative situations.

THE COURT: I will permit him to testify as to why in general he regards Logan County as a concentrated area over your objection, but I don't think we ought to get into any more details than that.

MR. SCHOEPKE: We do not anticipate that, Your Honor.

THE COURT: All right, let's get it over with.

A. (Continued) There are only four banks in the [445] county. The Security State Bank in Sterling has 52 percent, a very substantial position in that market. The next highest market share is Commercial Savings Bank of Sterling with 27 percent of the total assets, which makes the Security State Bank in the order of twice the next largest competitor in that market.

Q. Dr. Walsh, this morning in his cross-examination Mr. Metzger discussed with you and showed you some exhibits, one of which was Exhibit for Identification Number 41, which portrayed population per banking office. I wonder if you would tell us what significance, if any, in your view of industrial organizations, population per banking office has?

* * * * *

[447] A. Well, this population per bank is indeed used by the Comptroller of the Currency. It is indeed one of important measures of bank density that's used and I just would now like to state somewhat of a qualification as to this particular chart. For example, Northglenn, Aurora, many of these towns are bedroom communities of Denver and the people that live in these towns are conducting—perhaps working in Denver in many cases, conducting some of their banking in Denver, and if you could include the banking that they do outside of these suburbs in the city proper, why, it may have some effect on these figures. I do not think it would in the case of Fort Collins, but it would in the case of many of these, such as Englewood, which are bedroom communities, service communities to the City of Denver proper, and, for example, Lakewood has 30,000, nearly 31,000 people per bank compared with Fort Collins having merely ten or eleven thousand. I think probably that, if you could somehow or other adjust for the effect of the banking done by this population in Lakewood in Denver, why, it would change this relationship.

[448] Q. Dr. Walsh, this morning in Mr. Metzger's questioning you discussed with him the subject of your conclusion concerning the importance to the First National Bank of Greeley on commercial loan business. I wonder—I would like to show you Plaintiff's Exhibit Number 63 in evidence to refresh your recollection and ask if your conclusions

with respect to the matter of the importance of commercial loan business by the First National Bank of Greeley has any bearing on your original conclusion as to its importance?

A. Yes, this chart shows for—Exhibit 63 shows that the First National Bank of Greeley, the income to the bank by accounts, the largest source of income, the interest received on commercial loans in 1969 accounted for 59 percent of the total income of the Greeley bank of nearly $3 million.

MR. METZGER: Your Honor, in the interest of clarifying the record, that interest on commercial loans is interest on all loans to business and farmers. This is a category including the farm-lending activities of the bank.

MR. SCHOEPKE: Your Honor, in the interest of clarifying, this was an interrogatory answer that was submitted to us, so this was the table we made up for it.

THE COURT: I don't know why a farm loan wouldn't be regarded as a business loan, anyhow.

[449] MR. SCHOEPKE: They have it listed under it, so we can only accept what they give us in their answers, Your Honor.

Q. Now, Dr. Walsh, Mr. Metzger also asked you this morning on the subject of wings effect. He asked you whether if evidence were produced that firms in the market did not take into account the effect of an organization such as Bancorporation on the edge of the market, whether that would influence your opinion as to the potential competition. Now, I wondered—I would like to ask you, in your analysis and conclusion in matters of market extension situations, where you take into account as you have testified the issue of potential competition, whether in determining whether or not potential competition in the sense of significant potential entry is present, whether you relied primarily on objective evidence or subjective evidence?

A. Well, the starting point in the field of industrial org is concentration of that market, and if that concentration is increasing, this may have anti-competitive effects in that market, because firms have increasing power to engage in anti-competitive effects. Now, whether they do or not is subject to investigation, but there is a clear indication in the field of economics and in the field of competition, industrial organization, that market structure determines, basically determines the kind of competitive behavior that

[450] you have throughout American industry, and this is the basic underlying concept supporting a capitalistic economy. Now——

THE COURT: I don't think it is responsive at all.

Q. I think perhaps you——

THE COURT: It doesn't sound to me like it responds to the question. You were asking him about fringe and he is talking about the structure of the market after they get in there.

MR. SCHOEPKE: Yes, I agree with you, Your Honor.

Q. Dr. Walsh, perhaps you misunderstood me. I was speaking of the firms that are in the market. Mr. Metzger had discussed with you the assumption that firms in the market would testify that they did not take into account the potential competitor on the edge of the market in connection with their day-to-day competitive activities in the market.

MR. METZGER: Objection, Your Honor. If the testimony of this witness is going to be predicated upon what I said, what I said is that the banks in the market would testify that the First National Bancorporation had not been a factor in their competitive decisions in the market.

THE COURT: Its presence in the wings didn't cause them to—they didn't know they were there, that's what you [451] said.

MR. METZGER: Precisely, Your Honor.

A. Well, what we would look at as economists is the potential to have that effect, the power, the ability, the fact that they are in the wings, the fact that they are the largest potential competitor to that market. This is power rather than the effect——

THE COURT: Well, why would you rather have them in the wings than in the market competing? Why are they more effective as a threat than as an actor?

THE WITNESS: Because it will just reinforce the high concentration in that market where they do enter it as through the merger. They carry forth the kinds of parallel action that we find in Denver into the Greeley market.

THE COURT: Okay, go ahead. I won't press it at the moment, but I still have some questions I am going to ask.

Q. Now, Dr. Walsh, in appraising the competitive effects of a proposed merger, is it necessary in your opinion as an industrial organization economist to predict with certainty that actual anti-competitive behavior will occur as a result

of the particular merger, such as the acquisition such as the one up in Greeley should occur?

A. No, it is not.

[452] Q. And I wondered why. Would you explain that?

A. Markets with high concentration provide—concentration of those markets provides the power to the dominant firms to behave in whatever way they wish. If they choose to behave competitively, they have that power. If they choose to behave in a parallel fashion, have cooperative action, they have that power. High concentration gives firms high market power. It isn't necessary to demonstrate that they actually use that power in an anti-competitive way.

THE COURT: You think it would be wholesome if they organized a new bank up there, the First Bancorporation?

THE WITNESS: Yes, sir, because then they would add another element to the three dominant and one small bank in the Greeley market.

THE COURT: Well, then, it would be a question—it wouldn't mean that you didn't have the same economic powers that you would have if they went in here?

THE WITNESS: As they——

THE COURT: Which means you would have another element present?

THE WITNESS: As they competed for market share, it would have, I would think, some salutary competitive effects on the other banks, sir.

[453] MR. SCHOEPKE: Are you finished, Your Honor?

THE COURT: No. I'll let you finish, though, first.

MR. SCHOEPKE: I have no further questions unless Your Honor——

THE COURT: Well, do you expect the First National of Greeley to get a larger share of the market if this merger does go through?

THE WITNESS: Yes, sir.

THE COURT: Where will they get it?

THE WITNESS: The market is growing very rapidly and as the market grows I expect they will capture a disproportionately large share of that market because of their tremendous resources from the Denver area.

THE COURT: You don't think they will take anything away from the other——

THE WITNESS: I doubt it. From the other two large holding companies. But, we cannot predict that with certainty.

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They have the power to either capture an increasing market share or to follow parallel action and behave as oligopolies, cooperative competition; dividing up the market. Now, which they do is uncertain.

THE COURT: Well, do they divide it up now in Greeley? Is that what you're telling me?

THE WITNESS: I'm not certain of that, Your Honor.

THE COURT: You don't know. You say they're carrying [454] out parallel practices in Denver. What do you mean by that? Because they loan money to each other's officers?

THE WITNESS: And because they——

THE COURT: I mean, is that the basis?

THE WITNESS: Yes, sir, that is, with the additional evidence that they—that we took into account the effect on the bank which they exchanged loans at favorable rates in deciding what their checking account charges should be.

THE COURT: There is not going to be any difference in the rate of interest from one bank to another anyway, is there? There is a prime rate and it goes up from there ordinarily, doesn't it?

THE WITNESS: Yes, it does.

THE COURT: And that's true of all banks.

THE WITNESS: Yes.

THE COURT: So where is the competition going to be, anyway? In the services or quality of services?

THE WITNESS: I'm informed that banks compete on a quarter of a point interest rate changes. They do compete on interest. They do compete on services. But when bank markets become concentrated they have the power to decide how to compete, to what extent to compete and that that power—that it is that power that the Clayton Act is designed to block. It's a little like applying herbicide to pre-emergent crabgrass. You're not sure crabgrass is going to take over your lawn this summer, [455] but you better apply the herbicide anyway to block the possibility of that occurring.

THE COURT: Well, would you regard this as a mere possibility, that they will behave in this fashion?

THE WITNESS: The structure of the market is such that they have the power to behave either anticompetitively or competitively.

THE COURT: That's the real crucial question, as to whether you think it's a possibility, and if you think it's a probability, why, that's what I asked you this morning.

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THE WITNESS: Well, studies by economists——

THE COURT: First of all, tell me what level it is. Is it a possibility or probability, that this kind of behavior will follow in this situation here.

THE WITNESS: Studies throughout the economy show that when concentration increases and reaches above some certain levels it is fairly highly concentrated, that monopoly profits are higher than in markets where concentration is much lower and profit levels approach competitive levels. I could not predict the effect this particular merger will have on profit raise in that market or on services or prices, but the expectation is based on structural tests which infers behavior from the structure of that market, the expectation that they would get together and achieve anticompetitive goals.

THE COURT: You say that is a probability or a [456] possibility that they will?

THE WITNESS: I should say a probability.

THE COURT: Then really you're not speaking in terms of conditions as they actually exist in the Greeley market. You're talking about historical trends and general experience.

THE WITNESS: Talking about structure of that market, the relationship between structure and behavior of—expected behavior of firms in that market. And you increase the concentration——

THE COURT: Yes, but it's based upon history and experience?

THE WITNESS: Right. It's based on the basic tenets of a capitalistic economy which says that competition shall determine the outcome of the competitive relationship between firms; not the power of the concentrated oligopoly to determine the outcome for themselves.

THE COURT: And so you say that if they stay in the wings that there will be more competition than there would be if they actually got in the game, so to speak?

THE WITNESS: They provide over the longrun the potential of significant competition—potential competition in that role. They threaten invasion. If the Greeley market gets out of line they move in and provide better service or provide lower interest rates. This again—there is no proof they will actually do this but they provide—the structural [457] elements of being a significant potential competitor

provides the opportunities, provides potential for that kind of competition to occur. It's a structural feature, Your Honor, rather than a behavior.

And this was an idea that had its origin back in about 1952 in the early Eisenhower years when the argument was made by the business community that we didn't have to worry about the concentration level in particular markets because there were on the wings of every concentrated market in the country potential competitors which tended to discipline that market. That is the basic origin concept out of the business community.

THE COURT: Really then what you're talking about is—what you are emphasizing is a condition of structure that is less conducive to a monopoly?

THE WITNESS: Yes, sir. That's the whole key.

THE COURT: That's all there is to it?

THE WITNESS: That's it.

THE COURT: Either it is going to stand or fall on that proposition?

THE WITNESS: Yes, sir.

RECROSS-EXAMINATION

By MR. METZGER:

Q. Dr. Walsh, it is your proposition that if we were allowed to go into that market, that there is a probability [458] that we would collude with our competitors in this market to the detriment of competition therein? Is that just what you said?

A. No, sir. I have not alleged that. I have no proof.

Q. I didn't say you said it was going to happen. That that was the probability upon which you based your conclusion, that this would substantially lessen competition in the market, is it not?

A. No, there are ways to achieve monopoly profits besides collusion. There is price leadership, conscious parallelism, cooperative competition. I would never go so far as to allege collusive behavior.

Q. Well, let's say it wouldn't rise to the level of violating any specific paragraph of Section 1 of the Sherman Act, but let's say it is your conclusion that we would probably act in a noncompetitive fashion with the people already in the market if we went in, is that correct?

A. Well——

Q. Just answer the question and then say whatever you like, sir.

A. I'll probably forget.

THE COURT: He says that they probably wouldn't sit down at a dinner and get into a conspiracy. But he is asking the question—but, directly or indirectly, expressly or impliedly, this anticompetitive behavior would probably follow. [459] Is that your testimony?

THE WITNESS: Yes, sir.

Q. Well, if that is so, Dr. Walsh, why should anyone be worried about us in the wings? I should think they would be looking for the occasion to get us in, wouldn't you?

A. The Greeley banks would favor your entry.

Q. By all means.

A. Yes. Well, I'm sure that one Greeley bank favors your entry.

Q. Wouldn't you say they would all favor our entry, Doctor, according to your thesis? Either we would probably act in a noncompetitive fashion in that market and therefore decrease the level of competitive activity, and if that were true all of the Greeley banks would be looking forward to our entry. I ask you if that—in that context, would our standing in the wings act as a deterrent to the competitive conduct of the banks in the market? I suggest, sir, you have a dichotomy and I would like to have it explained.

A. You have a combination of about three or four questions there. Would you separate them out for me, please. First, "would" or "do you" and "the Greeley bank favor your entry by acquisition into that market"? Is that a question?

THE COURT: Yes. If you are going to decrease the competition and be friendly with them, directly and indirectly, why wouldn't they all welcome you with open arms? Which is what [460] he asked.

THE WITNESS: I suppose under certain circumstances they might.

Q. (By Mr. Metzger) Well, then, under those circumstances we would not be serving any valid purpose by remaining in the wings, would we, Doctor, since we would certainly not be adversely affecting their competitive conduct?

A. Why does that follow?

Q. I asked you the question, Doctor.

A. I don't think it follows.

Q. Let me ask you a different question. Suppose—suppose that the quality of competition in Greeley were to be materially enhanced by the membership of the First National Bank of Greeley in the Bancorporation. Accept that supposition. Would that change your view as to the competitive effect of this affiliation?

A. I just commented to the judge that——

Q. Would you answer the question and make whatever——

A. I just answered the question to the judge.

THE COURT: Well, answer it again.

A. Yes.

Restate the question.

MR. METZGER: Would you read the question, please.

(Question read by the reporter.)

MR. SCHOEPKE: Your Honor, I must object to these [461] questions as getting very complicated. I think that Mr. Metzger is failing to call to the witness's attention the distinction between Bancorporation's entering into—entering by merger or the possibility of their entering de novo and creating another competitive unit in the Greeley market.

THE COURT: Overruled. Go on. Let's get the answer.

THE WITNESS: Again, we're industrial organization analysts. We are applying structural tests. Implications as to behavior are applied by that test. And, by First National Bancorporation removing itself as a competitor on the wings—potential competitor—this reduces competition; reduces structural tests of competition in that market. The expectation would be that it would have a bad effect, an anticompetitive behavior in that market.

Q. Then I assume, Doctor, you're not going to let the facts interfere with your theory?

MR. SCHOEPKE: I object to that question, Your Honor.

MR. METZGER: Your Honor, I gave the doctor a supposition and I did not get any response on the basis of that supposition.

THE WITNESS: I'd be glad to respond to it more fully.

Q. Would you answer?

THE COURT: He asked whether if you were assured that the quality of the competition would be improved by the

actual [462] entry of this bank there, would you still be against it.

THE WITNESS: No.

MR. METZGER: Thank you, Your Honor.

THE WITNESS: The actual entry as a new competitor in the market?

THE COURT: Oh, no. That isn't the point. Let us suppose that this acquisition went through, but you were certain that it would increase the competition. Would you still be opposed to it?

THE WITNESS: But, Your Honor, there is no certainty as to that. They have the power to do one or the other.

THE COURT: Can't you assume it?

THE WITNESS: Assume a certainty, yes.

THE COURT: Okay. Well, that's all he asked you to do. He wants to find out whether you are opposed to it because of concentration or because of diminishing competition. In other words, is this a ritualistic opposition because the books say that concentration will usually diminish competition? Is that your whole thesis? He's asking you that.

THE WITNESS: This is the basis.

THE COURT: And I'm interested in this answer, too.

THE WITNESS: This is a basic thesis, sir, of the basic underlying thesis of a private enterprise economy. It's sanctioned by congress, sanctioned by the Supreme Court. It's a part of our culture, a basic thesis. Not only of [463] economics but throughout our economy, throughout our society, throughout our government.

THE COURT: Which is? That the concentration——

THE WITNESS: That the concentration is related to power; that power has expectations as to anticompetitive results.

THE COURT: I haven't anything further.

Q. (By Mr. Metzger) Doctor, you spoke before to the fact that the Colorado Springs area was concentrated. Have you read the Federal Reserve Board's approval of the Colorado Springs application of the First National Bancorporation?

A. Only in part, sir.

Q. Have you read the majority and concurring opinion?

A. Only in part.

Q. You are not aware of what consideration they gave to this question in detail, are you?

A. Not the majority, no, sir.

Q. Now, as to the Boulder situation, Doctor, are you aware of the circumstances surrounding the proposed acquisition of the National State Bank of Boulder?

A. I'm not aware fully of the circumstances surrounding that acquisition.

Q. Let us assume, Doctor, that the National State Bank of Boulder had very serious competitive and banking problems.

[464] A. A failing company?

Q. And, that there was—if not a failing company, some serious question as to continued ability. Would that have affected your judgment as to whether or not this is a competitively desirable event.

* * * * *

[465] Q. That would affect your judgment, would it not, Doctor?

A. If it were a failing company it certainly would.

Q. Or in any banking—anything vaguely approaching that standard? Isn't that correct? Since in banking—the viability of the institution is more important than in most industries?

A. It would depend on how serious it were. If it were quite serious—if their failure was imminent——

Q. But, Doctor, let us——

MR. SCHOEPKE: Let him answer.

THE WITNESS: I'd be quite concerned about that in that case.

Q. Let's say, Doctor, one of the regulatory agencies used the phrase endangered bank. Would that be in your view a serious consideration?

A. Well, I'll have to have you define that phrase. Does he mean that their profit levels have fallen from ten percent to six percent? Or does he mean they're just breaking even?

Q. They didn't say any of those things. Doctor, they said that in their judgment where there was——

MR. SCHOEPKE: Objection. Counsel is testifying.

[466] THE COURT: Overruled.

Q. —because it is an endangered bank and would you feel that would be something to take into consideration?

A. I would certainly want to investigate the circumstances

of this being an endangered bank and then make a judgment from that investigation.

Q. Well, do you think that that conclusion was reached as a result of an investigation?

A. Yes, indeed.

Q. Do you think that that is the statutory responsibility of the agencies?

A. Yes, indeed.

Q. Now, sir, let me ask you another question. Suppose that a man is the owner of Bank A and the executive vice president of Bank B. Would in your judgment the affiliation of these two institutions substantially lessen competition between them?

A. That is a tying arrangement, indeed.

Q. So that this would enter into the quality of your judgment as to whether or not, that is, that it would substantially lessen competition, that factor?

A. I think the interlocking of ownerships between corporations including banks is a very important aspect of the competition in our economy.

Q. And you would judge, would you not, Doctor, that [467] the question of the impact upon competition would certainly be affected by this factor?

A. Well, it would depend upon how substantial that ownership interlock was.

Q. Ownership?

A. How complete—sufficiently complete. Presumably then it would be one corporation, if it's complete. Well its equivalent.

Q. I'm suggesting in one instance, its his ownership and in the other it's senior management.

A. Well, if the board of directors control the senior management, that would affect whether the two banks could act as one or not.

Q. So that in measuring the impact upon competition you would have to take this into consideration?

A. Yes, sir.

Q. And that is a quality question that would influence your judgment as to whether or not this was an anticompetitive event?

A. Yes, I think so.

Q. Now, Dr. Walsh, referring to Defendants' Proposed Exhibit No. 41, which you discussed on your redirect exami-

nation—you suggested that because some of the cities involved were bedroom communities of Denver as you referred to them, that this might change the numbers, is that correct?

[468] A. This would affect my interpretation of the meaning of this table, yes, sir.

Q. Well, suppose, Doctor, you were to take the suburb of Denver which has the lowest population per office level. All right?

A. Here? What?

Q. Any one of the suburbs of Denver which has the lowest population per office level.

A. Littleton, Southeast.

Q. And what's that?

A. 7,633 persons per bank.

Q. Now, Doctor, just as a matter of simple arithmetic if you took a group of numbers which had certain proportions to them, that average proportion of all of those numbers couldn't be lower than the lowest proportion, could it?

A. Would you explain that, please?

[469] Q. All right. Suppose I had three numbers, the ratio of offices, banking offices to population in Denver as 20,000; the ratio in Littleton as 10,000; the ratio in Sherrillwood as 18,000, your recalculated proportion could never be lower than 10,000, is that not right, and closer to the middle of those figures?

A. Yes, sir.

Q. So, if you come up and took the bedroom communities of Denver and averaged them all together, you would still come up with a number considerably higher than that for Greeley, would you not?

A. Yes, sir.

MR. METZGER: Thank you. No further questions.

THE COURT: Do you have anything further?

MR. SCHOEPKE: Nothing further, Your Honor.

THE COURT: You may be excused, Doctor.

THE WITNESS: Thank you, Your Honor.

MR. BRENAN: Plaintiff calls Mr. James Small.

THE COURT: Mr. Small.

JAMES M. SMALL,

called as a witness by the plaintiff, being first duly sworn, on his oath testified as follows:

THE COURT: Be seated. Give us your name, address and occupation, please.

THE WITNESS: Yes, my name is James M. Small. My [470] address is 3191 South Holly Place, Denver, and my occupation is a city planning consultant.

DIRECT EXAMINATION

By MR. BRENAN:

Q. What firm are you associated with, Mr. Small?

A. I am President of Small, Cooley & Associates.

Q. Mr. Small, I show you at this time Plaintiff's Exhibit for Identification Number 44——

* * * * *

[472] Q. Mr. Small, is this an accurate copy of the report that you prepared?

A. It appears to be, yes.

Q. Could you state, Mr. Small, whether in preparing this report you considered——

MR. WILLIAMSON: Excuse me, Your Honor, I would interject for one purpose. The counsel keeps referring to "report." It is not a report within the concept of management consulting, simply a memorandum.

THE COURT: Well, whatever it is.

Q. In preparing this document——

THE COURT: You know what he is referring to, don't you?

THE WITNESS: I am not sure I do, Your Honor.

[473] THE COURT: Well, explain then.

THE WITNESS: I know what this is.

THE COURT: Oh, I see.

THE WITNESS: I am not sure whether I should refer to it as a report or a document.

THE COURT: What do you regard it as? Report?

THE WITNESS: As a report to the bank in Greeley.

THE COURT: Oh, it is a report of an investigation that you made?

THE WITNESS: Yes, sir.

THE COURT: Or study that you made?

THE WITNESS: Yes.

THE COURT: It lays out your conclusions?

THE WITNESS: Yes, sir.

THE COURT: Well, I guess we could call it a report then.

Q. Mr. Small, in conducting the study for this report, did you consider population?

A. Yes.

Q. And what were your conclusions as to the population of Greeley?

A. I made an estimate in 1969—may I refer to the report?

Q. To refresh your recollection, yes, sir.

A. As to what the population was, yes, that the [474] estimated population in 1968 was 33,600 in Greeley and that there were 2,400 people, approximately, in the fringe area, for a total of 36,000.

Q. Also in connection with this report, did you consider the entry of new business into Greeley or the Greeley area?

A. Yes, I did.

Q. And what were your conclusions with regard to that?

A. First of all, in the immediate Greeley area I investigated the proposed shopping center locations at two points along the by-pass highway and I also reviewed the business in the downtown area. I am not sure what you mean by what were my conclusions about the business in the Greeley area. I looked at business in the Greeley area with an eye to what I was investigating.

Q. Yes, sir, did you consider the entry of Kodak into the area?

A. Oh, yes, sir.

Q. What were your conclusions with regard to that?

A. Well, Kodak, of course, was a fact. It had just announced that it was entering on a location about 13 or 14 miles away from Greeley and it was a location near Windsor and at about a central location between the three largest cities in the area. My own feelings at the time I prepared [475] this report were that the entrance of Kodak into this area would add to the employment base and to the business and population of these communities, including Greeley.

Q. When you were preparing this report, did you consider the banks in Greeley at the time?

A. Yes, I did.

Q. And what conclusions did you make as regards these banks?

A. My general conclusion was that Greeley was well served with banking services at that time.

Q. Did you investigate the growth in deposit base of these banks?

A. Yes, I did, and I compiled statistics about what the increase in deposits had been for each of the banks.

Q. Do you recall what your conclusion was as to the increase of the funds, and again you may refresh your recollection if you don't recall?

A. My conclusion was that there had been a steady increase in deposits in the banks in the Greeley area.

Q. Did you draw any conclusion as to the increase in deposit base of the newest banks in Greeley?

A. I compiled these statistics, if that's what you mean, yes.

* * * * *

[476] A. (Continued) My memory is that the newest banks in Greeley had been increasing steadily in their deposit experience since they had opened.

THE COURT: You are now referring to the smaller——

THE WITNESS: Yes, the newer banks, sir, and they are also smaller, or were at that time, anyway.

Q. In connection with this report, did you investigate the success of various shopping center banks throughout the [477] State of Colorado?

A. Yes, I did compile statistics about banks located in regional shopping centers throughout Colorado.

Q. And could you state your conclusion with regard to these banks?

A. My conclusion was that they had had rather dramatic increases in deposits and growth as a general statement.

Q. And in compiling this report, did you consider the average family income in the City of Greeley?

A. Yes.

Q. And what was your conclusion as to this?

A. As I recall, it was approximately $8,500 per family, and my estimate was that this would increase.

THE COURT: In getting back to these banks, these small banks——

THE WITNESS: Yes, sir.

THE COURT: Did you ever discover that they were getting a large proportion of the business of the community, that they were gaining in that respect? No doubt they

are gaining, but were they getting—was their proportion of the community business increasing?

THE WITNESS: I don't recall, Your Honor. I would have to——

THE COURT: In relationship to the other banks?

THE WITNESS: I don't recall. I only remember that [478] they were steadily increasing at the time I did the study two years ago.

THE COURT: Okay, excuse me.

Did I break your chain?

MR. BRENAN: A little bit.

Q. Mr. Small, in compiling this report did you make any estimates as to the business that a new bank in Greeley could expect within any period of time?

A. I made a very rough estimate as to the experience a bank might have at one specific location in Greeley.

[479] Q. Would you state what that—could you elaborate a little on that?

A. Oh, this was a location on the south side of the state highway by-pass at approximately 23rd, and this was the location that I had recommended that if the bank were so inclined I would consider better than the others in potential at that time and I did investigate the number of homes, rate of development, and made a rough approximation as to what the deposit experience might be for checking accounts and savings accounts.

Q. Do you recall what your approximations were?

A. No, I don't.

MR. BRENAN: Your Honor, may I refer the witness to a particular page in the document in order to refresh his recollection as to his estimates at that time?

MR. WILLIAMSON: Your Honor, that's not refreshing recollection, trying to impeach the statement. He has the answer. It is his witness.

THE COURT: True. We will permit him to do it.

A. My estimates were in Year One for only new personal checking and saving accounts $447,200.00. The second year, $807,700.00, and the third year $1,349,200.00.

Q. Now, Mr. Small, did you as a result of your investigation and your reports make any recommendation to Mr. Gilbert and Mr .Eaton?

[480] A. Yes, first of all, I felt that the location I just referred to at 23rd and highway by-pass I felt to be at that time the best in potential for a new bank. Second, though, I felt this would only be a good potential if a regional shopping center were actually developed at that location, and I recommended that studies leading to an application for a charter only be made if this shopping center actually became developed as a regional facility. Those are my major recommendations.

MR. BRENAN: At this point, Your Honor, I believe we have summarized Mr. Small's findings at that time and laid a foundation for the entry of this document into evidence and I again move it be accepted into evidence.

THE COURT: Denied. I don't think it is admissible testimonially. Hasn't he testified to everything you want? As such, I mean, hasn't he given the estimates of it?

MR. BRENAN: Yes, sir. Could I ask him just a couple of more questions in that regard?

THE COURT: Sure.

Q. Mr. Small, at whose request was this report made?

A. It was at the request of Mr. Rex Eaton, who is and was executive vice president of the bank.

Q. Of which bank is that, sir?

A. The First National Bank of Greeley.

MR. BRENAN: I have no further questions, Your Honor.

[481] THE COURT: Mr. Williamson.

CROSS-EXAMINATION

By MR. WILLIAMSON:

Q. You have testified on direct, sir, that your recommendation as to the suburb shopping area being the best one as far as potential was a qualified recommendation, is that not correct?

A. That is correct.

Q. Do you have any knowledge as to whether or not any of these pre-conditions have been satisfied to date?

A. None of them have to my knowledge.

Q. And in the absence of any of these qualifications being met, it would not be your recommendation to have a new banking facility in Greeley or the Greeley area, is that correct?

MR. BRENAN: I don't believe he said that, Your Honor.

MR. WILLIAMSON: I am asking him.

MR. BRENAN: He only made a recommendation as to one particular area, not as to the entire Greeley area.

THE COURT: Well, you may ask him the question.

A. In the absence of the conditions I just mentioned being met, I would not recommend that application be made for a charter for a new bank in the Greeley area that I studied. Does that answer your question?

[482] Q. Yes, sir, and I take it based upon your analysis generally of the banking conditions in the City of Greeley it is your conclusion and opinion that Greeley is presently well served with banking facilities, is that not correct?

MR. BRENAN: Excuse me, Your Honor. I believe Mr. Small has testified only as to what was present in 1969 and not as to the present.

MR. WILLIAMSON: As of 1969.

THE COURT: He may answer. Go ahead.

A. As of the time I did the report I felt that Greeley was well served with banks, yes.

Q. Do you have any information 1969 to the present which changes that opinion?

A. I am not aware of any information that would change that opinion, no.

Q. Did you do any analysis of the State Bank of Greeley?

A. I compiled deposit experience for all the banks in Greeley at the time I did this report in early 1969.

Q. Is it your opinion that the State Bank of Greeley was making moderate progress or margin progress?

A. I do not recall what deposits—but I don't think I would—my memory is none of the banks were making less than what I would call moderate progress.

Q. When you made your population estimates, did you consider the fact that student population was included in the [483] Bureau of Census figures?

A. Yes.

Q. And was your basis, part of your assumption, that some of the increased growth would result from the location of the Kodak plant?

A. Yes.

Q. Have you familiarized yourself with the testimony in this trial of the plant manager, Howard Smith, of Eastman-Kodak?

A. This morning you gave me—I don't recall whether it was all of his testimony, but copies of part of his testimony at least, and I did read through those, yes.

Q. I gave you from Page 120 to Page 132, is that not correct?

A. I don't recall the page numbers.

Q. Well, let me show it to you and see if I can refresh your recollection. I represent to you and to the Court I gave you the entire transcript of the testimony of Mr. Smith.

A. Yes, these are the sheets that I read this morning.

Q. Do you agree with the statements that Mr. Smith made?

A. Which ones?

Q. Well, namely, that the easterners were not likely to inhabit Greeley because of the peculiar repulsion with the odors?

A. I don't know.

[484] Q. Did you take that factor into consideration when you made your population estimates?

A. Certainly, I was aware of the packing plant in Greeley and the odors that occur in that area.

Q. Did you think it would have any impact upon the immigrants?

A. To tell you the truth, I consider it a minus factor in the attractiveness of Greeley. I always have. As to whether I did at that time, I simply don't recall.

Q. Does it surprise you that only five people from the Eastman-Kodak Company in the east inhabited Greeley?

A. Yes, in the light of what I know about the area up there, I was somewhat surprised to read this.

Q. When you did your calculation, did you realize the Eastman-Kodak plant wouldn't become fully effective until in 1975?

A. I don't remember the years, but I do remember reviewing the estimates as to the number of employees that would be on site in 1971 and up to 1975.

Q. Based on these new factors of 1969 to the present, would you say that even that particular area you recommended as less attractive?

A. I'm not sure I understand your question. As to the effect of Kodak's projections——

Q. No, as to the effect of what has happened in fact

[485] between 1969 and the present, namely five people have moved into the Greeley area from Eastman-Kodak, namely the Kodak plant is not going on stream, not likely to go on stream until 1975. Do these two facts make even that recommendation weaker today than when made?

A. I would need to have a good deal of additional information that I acquired not just from one source before I would be prepared to answer that question.

Q. Well, let me speak about one additional factor. Are you aware of the fact that a new shopping center in that area has actually gone on stream, so to speak, and beaten the Scott groups to the punch in that area?

A. I am aware of the competitive shopping center that's located not too far away, I believe at about 11th and north of the by-pass, but I was——

Q. Does this weaken that conclusion then?

A. No, it doesn't because I was aware of the proposed center at that location at the time I did this work.

Q. It does bear upon the likelihood of whether this particular Scott area would be developed, does it not?

A. Only partly. It would weaken the economic potential for a new shopping center at the Scott location, but again I don't know and I haven't done any studies in Greeley since that time. I don't know that the center proposed on the Scott location is not feasible at this time. I have only heard that [486] it is not developed.

Q. So you determined then upon a large order of the fact that Wards or Sears or somebody of that magnitude would have to be in the shopping center and they are not there and until and unless they are there you would not consider that particular site, is that correct?

A. That is generally correct. I recommended that they go ahead with work on a new bank only if a regional center developed, and a regional center would have to have a major tenant of the nature of Wards or Sears or a major department store, something of this nature. Now, if this has not happened, my conclusion would be to not go ahead.

Q. In any event then there is no immediate prospect for a new banking facility in that particular area?

A. I have done no studies on it as such, but at the time I made this one that would certainly be my recommendation.

Q. Based upon estimates and, of course, you would have to reevaluate those estimates, correct?

A. I would certainly want to if I were asked by the bank to make a recommendation today.

Q. If you had been asked by the bank to make a full study for the purpose of the pending application, I take it you would have gone into much greater depth, is that not correct?

A. That is correct.

[487] Q. And you only spent a very short period of time in preparing this report, is that correct?

A. As I remember, it was a period of less than two months, yes.

Q. During that period of time, you also spent quite a bit of it in the hospital, is that correct?

A. Much of it, yes.

Q. It follows, does it not, sir, from your statement that you believe that the Greeley downtown areas was at that time in 1969 well served with its banking facilities, that you would not recommend the application for a charter for a downtown bank, is that not correct?

MR. BRENAN: Your Honor, he is asking for a recommendation at the present time based on knowledge of two years ago.

MR. WILLIAMSON: I will limit it to 1969.

A. That would be correct.

MR. WILLIAMSON: Thank you very much. No further question, Your Honor.

REDIRECT EXAMINATION

By MR. BRENAN:

Q. Mr. Small, have you had any connection or made any investigation of Greeley since you finished compiling this report in 1969?

A. Only one very minor recommendation for the same [488] client that involved my being in Greeley for a couple of hours one day, but that's the only one.

MR. WILLIAMSON: Excuse me, is this redirect or is it impeachment?

THE COURT: I don't think it is impeachment. I think it is redirect. I believe it is. I think it is a clarification. He asked him if he had made any subsequent studies. I think

what he wants to find out is whether his conclusions have been brought up to date.

Q. That sounds like an excellent question. Have your conclusions been brought up to date?

A. No, they have not.

Q. How do you know many of the factors that Mr. Williamson brought up on cross-examination?

A. Well, again, I'm not sure which ones you are referring to.

Q. Well, do you have direct knowledge of the fact that one shopping center is further ahead than the other?

A. Only from second-hand sources, newspaper accounts, discussions with people I know from the Greeley area, that's all.

Q. There is no investigation of your own to reveal this?

A. No.

* * * * *

[490] Q. Mr. Small, could the presence of Kodak in Windsor have an effect on the economy of Greeley other than just by the mere addition of members of Kodak families to the population of Greeley?

MR. WILLIAMSON: Object, Your Honor, on the grounds the question is speculative and beyond his direct.

THE COURT: Overruled.

Q. You may answer.

A. I would feel that it certainly would have an effect on Greeley, economically, adding to local business and generally in the economy.

MR. BRENAN: No further questions, Your Honor.

MR. WILLIAMSON: I have no further questions.

(Witness excused.)

THE COURT: We will take a short recess.

(Whereupon, the trial recessed at 3:14 p.m. and resumed at 3:35 p.m.)

MR. WILLIAMSON: With leave of Court, the defendants would ask that Mr. James Small be recalled for one further question.

[491] THE COURT: Very well.

(The witness recalled.)

RECROSS-EXAMINATION

By MR. WILLIAMSON:

Q. Mr. Small, the government has previously elicited testimony from an expert witness chosen in its behalf with respect to characterization of the Greeley—or Greeley city and Greeley area, and the conclusion of that expert is that the Greeley area is booming. Would you agree with that conclusion?

MR. BRENAN: Object to that question, Your Honor, on the grounds Mr. Small is—has not had any detailed connection with Greeley since the preparation of that report two years ago.

THE COURT: Well, we will allow him to qualify the witness then, if he can.

Q. As of the time that you made your most recent investigation of the Greeley area, I take it that you would not characterize it as a booming area, is that correct?

A. That is correct. I would characterize it in terms of *moderate measured growth,* but certainly not in terms of, quote, booming, unquote.

MR. WILLIAMSON: Thank you very much. No further questions.

MR. BRENAN: I have nothing further.

[492] (Witness excused.)

MR. SCHOEPKE: Plaintiff calls Mr. Thomas Moon.

THOMAS MOON,

a witness called by and on behalf of plaintiff, having first been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

By MR. SCHOEPKE:

THE COURT: Give us your full name, address, and occupation, please.

THE WITNESS: My name is Thomas Moon. I live in Colorado Springs at 77 Marlin Road. President of the First National Bank of Colorado Springs.

Q. (By Mr. Schoepke) Mr. Moon, in addition to your position as—well, you are president of—let me withdraw everything.

Mr. Moon, you are president, as you just stated, of the First National Bank of Colorado Springs?

A. Yes, that's correct.

Q. Is that bank affiliated with any bank holding company?

A. Yes, Affiliated Bankshares of Colorado.

Q. And do you have any position with Affiliated Bank shares of Colorado?

A. Yes, I'm president of Affiliated Bankshares.

Q. And did you participate in the formation of [493] Affiliated Bankshares of Colorado?

A. Yes, I did.

Q. And did you sign the application to the Federal Reserve Board seeking permission to form Affiliated Bankshares of Colorado?

A. Yes, I did.

Q. Now, when you participated in the formation of Affiliated Bankshares of Colorado, first, were you aware of the Denver United States Bancorporation, whose name has since been changed to United Bancorporation of Denver? Were you aware of the existence of that organization?

A. Yes.

Q. And were you aware at that time of the acquisition of banks in Colorado by the Denver U. S. bank holding company?

A. Yes.

Q. And at the time you decided and conducted the negotiations to form Affiliated Bankshares of Colorado, were you aware of the First National Bancorporation holding company in Denver?

A. Yes.

Q. And were you aware at that time of the negotiations which the First National Bancorporation was conducting with regard to acquiring banks in the state of Colorado?

A. Yes.

Q. Did your knowledge with respect to these efforts [494] by the Denver U. S. Bancorporation and the First National Bancorporation of Colorado to acquire banks in the state have any bearing on your decision to form a holding company of your own, namely, Affiliated Bankshares of Colorado?

A. Yes, it would have a bearing on it.

Q. And could you tell us in what way it had a bearing on your determination to form this holding company of your own?

A. Well, it was one of a number of considerations, but one of these considerations of course is our desire to continue to compete with the best banking organizations in the state.

Q. Did you feel that it was necessary for you to form this holding company of your own in order to maintain your competitive ability with regard to these two holding companies, namely Denver U. S., now United, and First National Bancorporation of Denver?

A. You said necessary? I think desirable. Pardon me. It was not necessary, no.

[495] Q. But did the existence and the expansion program of these two organizations influence you in your decision to——

A. Yes.

Q. —to form a holding company of your own?

A. Yes.

Mr. Schoepke: I have no further questions.

The Court: What banks are in the organization?

The Witness: There are 13 banks, three in Colorado Springs, First National Bank of Colorado Springs, Fort Carson National, Bank of Manitou. In the Boulder area, there is First National Bank in Boulder, Arapahoe National Bank, in Lafayette and Louisville, and in the Greeley area, West Greeley, Cash National and National Bank at Ault, Ault National Bank, if you please—Farmers National Bank of Ault.

The Court: Farmers?

The Witness: Farmers National Bank in Ault, yes.

Cross-examination

By Mr. Metzger:

Q. Mr. Moon, was your principal and primary reason for starting the Affiliated Bankshares the desire of the members of your organization to take advantage of the economies of scale attendant upon a holding company structure?

The Court: Take advantage of what?

Mr. Metzger: Of the economies of scale attendant upon the formation of a holding company structure.

* * * * *

[496] Q. Were your principal and primary reasons re-

lated to those advantages that you felt inherent in holding company structure?

A. I find it difficult to answer yes. This was certainly a major consideration.

[497] Q. Let me ask you this question. If no one else had started a holding company in Colorado, would you still have tried to assemble the ABC, Affiliated Bankshares, anyway, for the reasons I stated in the first question?

A. Yes, this would have been—we believe is a highly desirable thing to do.

Q. And that you would have created your own holding company if no one else had created one?

A. Yes, I think that is——

Mr. Metzger: Now, this question is outside the scope of the direct examination, Your Honor, and I would ask the one question only to save the time of the witness on the phase of the case coming up next. The question if I may be indulged is this.

Q. Your company does not now, your holding company does not now, offer a full line of correspondent services to all other banks outside the system, do you, sir?

A. No, not a full line, no.

Q. Would you feel any need to have a Denver affiliate in order to offer such services?

A. A need to have one?

Q. Yes.

A. I don't think it would be absolutely essential.

Q. It would be useful, but not essential?

A. It would be highly desirable, but not essential.

[498] Q. You could operate as a holding company offering full correspondent services without it?

A. Yes, I believe we could.

Mr. Metzger: Thank you.

Mr. Schoepke: No redirect, Your Honor.

The Court: Aren't you apprehensive that it might have a concentrating effect structurally?

The Witness: What might have——

The Court: Concentrating effect structurally as far as economic structure of the communities concerned, such as we have been hearing about.

The Witness: Forming a holding company might concentrate——

THE COURT: Yes.

THE WITNESS: No, I—our reason for doing this is to be able to provide better services in other areas in the state and I don't think it has a major effect on concentration.

THE COURT: You do not think there is any hazard that you will develop some parallelism in relationship with the Exchange National and the other banks in the Colorado Springs area?

THE WITNESS: I see no reason for that. We are active competitors now. I do not see why that would change.

THE COURT: I have nothing further.

MR. SCHOEPKE: Thank you, Mr. Moon.

[499] MR. LIPKOWITZ: Plaintiff calls Mr. H. J. Bleakley.

H. J. BLEAKLEY

called as a witness by the plaintiff, being first duly sworn, on his oath testified as follows:

THE COURT: Take the witness chair. State your name, address and occupation, Mr. Bleakley.

THE WITNESS: My name is H. J. Bleakley. I live at 7262 Old Post Road, Boulder. I am president of Peoples Bank and Trust of Aurora, Colorado.

DIRECT EXAMINATION

By MR. LIPKOWITZ:

Q. Mr. Bleakley, are you here under subpoena?

A. I am.

Q. Would you also tell the Court the names of any other banks that you happen to be affiliated with?

A. I am president of Mid States Bank, which is located at Buchtel Boulevard and South Colorado, and I am chairman of the Board of Peoples Bank of Arapahoe County on South Havanna Street.

Q. And Mid States I take it is in the City and County of Denver?

A. It is.

Q. How long have you been a banker?

A. About 20 years or more.

Q. Have you ever founded a bank?

[500] A. Yes, these particular banks that I am associated with now, I was an original founder.

Q. Could you tell the Court, please, how you go about founding a bank?

A. Well, first, you would determine if there is a need for a bank in the particular area in which you wish to found a bank, and then, of course, it is necessary that you raise the capital to originate the bank and then, of course, it is necessary to have a charter and to get Federal Deposit Insurance. Probably one of the more difficult things to do is to raise the capital. If you don't have sufficient capital, then the normal procedure is to borrow it from one of the major downtown banks, who do furnish this type of loan to bankers, small banks.

Q. You used the phrase "downtown." Would you refer to the city you are talking about, please?

A. Denver.

Q. Will you give the Court some idea of the banks that you would consider going to when trying to obtain some capital with which to start one of the banks that you started?

A. Well, the primary banks who are in the correspondent banking business in Denver are, of course, the larger banks, which would be the First National, the United Bank and Colorado National and the Central Bank, and I understand Security National is also doing some of it.

[501] Q. Are there any others?

A. Not to my knowledge.

Q. May I refresh your recollection? I believe——

Mr. Williamson: I object, that's not refreshing his recollection. He is attempting to impeach him.

The Court: Overruled. We will permit.

Q. Are you aware of a bank in downtown Denver known as the American National Bank?

A. Oh, yes, I am sorry, American National Bank is also very active in correspondent relationships.

Q. Would you say that these are the banks that you would consider going to in trying to raise capital by pledging bank stock in order to start a new bank?

A. Yes, you would select one of these and then go talk to their officers.

Q. Have you ever considered going to any other type of financial institution in order to obtain this sort of a loan in order to start a bank?

A. No. I don't know of any other type of financial institution that would be qualified to handle or that would handle it.

Q. Have you ever considered going outside of Denver in order to obtain the money on this sort of a bank stock loan in order to start a new bank?

A. No, I wouldn't think it would be practical.

[502] Q. Do the banks that you have started customarily use the same Denver bank from which you obtained a bank stock loan as their prime correspondent?

A. Yes.

Q. Would you explain to the Court, since this is really a new phase of the case, what is meant by a prime correspondent?

A. Well, the prime correspondent renders a number of services for the small bank. In addition to helping them with the capital by making a loan on the stock of the bank, they also clear the checks and furnish them with information on purchase of bonds and give them many other services which help in the conduct of a new bank.

Q. Would you say that this is a way of bringing economies of scale to your new, and thus at the time that they are new, small banks?

A. Yes, I would, and in addition to the things I just mentioned we very often find it necessary to go to our correspondent bank to take a part of a loan for one of our customers when that loan request is in excess of our legal loan limit.

Q. Is that wh...t you call an overline loan?

A. Yes.

Q. Now, could you use a correspondent bank in another city such as Chicago, St. Louis, Kansas City or Omaha as a prime correspondent?

A. Well, it would be possible, but I think very [503] impractical, as it would be very foolish in my opinion to send checks to Chicago to be cleared when they were drawn on another Denver bank.

Q. And I take it that in your banks you get a lot of checks, most of them or a large percentage of them at least are from Denver?

A. Primarily. They are all from the immediate area.

Q. Do you use the downtown Denver banks as a depository for any sort of securities?

A. Yes, when we purchase municipal bonds or government bonds, their bond men assist us and gives us some up to date information on those bonds and then they act as a depository for them.

Q. Do you happen to have in any of your banks any deposits from any municipality in Colorado or from the State of Colorado?

A. Yes, we have.

Q. Are you under any obligation then to post some sort of security for these deposits?

A. Yes, if you have a state or municipal or government deposit, it is necessary that you pledge 110 percent of the amount of the deposit either by government bonds or municipal bonds and they must be pledged with another bank and the correspondent bank usually takes care of that.

[504] Q. And those correspondent banks that you are referring to are in Denver?

A. Yes.

Mr. Williamson: Objection, leading.

The Court: Overruled.

Q. Where are those other correspondent banks you are referring to?

A. The correspondent banks are in Denver primarily.

Q. Could you post this security, these bonds, in a bank outside the State of Colorado?

A. I'm not certain if that would be legal. It is my understanding that since it is for a Colorado community that it would have to be posted in Colorado.

* * * * *

[505] Q. As a practical matter, have you ever deposited bonds from municipal or security bonds outside of the State of Colorado?

A. No, sir.

Q. Have you ever deposited them outside the Denver area?

A. No.

Q. Do you happen to know any other bankers in this community who have ever founded banks or purchased banks?

A. Yes.

* * * * *

[506] Q. All right. Do you happen to know how they obtained money with which to start their banks?

A. Yes.

Mr. Williamson: Your Honor, I still renew my objection.

THE COURT: He already testified that this is the general approach, the accepted one, the standard one, to go to the downtown banks. I don't know how he can add much to that.

MR. LIPKOWITZ: No further questions.

CROSS-EXAMINATION

By MR. WILLIAMSON:

Q. Good afternoon, sir.

A. Good afternoon.

Q. Mr. Blakely, the People's Bank and Trust Company in Aurora is a bedroom community, so to speak, of Denver, is [507] that not correct?

A. Well, I've heard that referral made here today. I think there are a lot of people who live and work in Aurora. There are people who live in Aurora who also work in Denver, but I will say that Aurora has a great many people working in Aurora. They have a number of plants there, such as Western Electric and so forth.

Q. Have you ever made any studies to determine how many of the people who live in Aurora work in Denver?

A. No, not completely. I have made some various checks to see where the people——

Q. What kind of checks?

A. Well, we look at our checks to see people who bank with us and where they live and where they work and so forth, but I wouldn't be in a position to make any definite statement as to what percentage of people who live in Aurora actually work in Aurora.

Q. Mid States, is that in part of Denver?

A. It is in Denver, yes.

Q. People's other bank, that's in Denver as well.

A. That's in Aurora.

Q. But that's part of Denver, is it not?

A. No, it is not.

Q. Denver County?

A. No, it is in Arapahoe County and in the City of [508] Aurora.

Q. Is it your opinion that Denver is an overcrowded area for banks?

A. I think there are enough banks here to take care of the necessary banking facilities.

* * * * *

[509] Q. Do you own any stock in a holding company?

A. No.

* * * * *

[510] Q. All right, do you own any stock in People's Bank and Trust in Aurora?

A. Yes, I do.

Q. Do you own any stock in Mid States?

A. Yes.

Q. Do you own any stock in People's in Arapahoe?

A. Yes, sir.

Q. Do you own controlling interest in each one of those banks?

A. No, I don't.

Q. Which one do you have a controlling interest in?

A. People's.

Q. With respect to the purchase of your stock in any of these affiliates, you indicated that you had to borrow to get the capital, is that not correct?

A. Yes.

Q. Are you aware or unaware as to the method in which others who have purchased controlling stocks in banks have financed those purchases?

A. I have knowledge of quite a few people who have borrowed money and how they borrowed it.

Q. Are you aware of the fact that many of those [511] people obtained the capital with which to purchase that stock from banks outside of the State of Colorado?

A. I only know of one bank that was started in the City of Denver with capital acquired from outside of the state and that was a very unsatisfactory experience for both the banker and the bank who loaned the money.

Q. Are you testifying from direct knowledge on that?

A. Positively.

Q. I take it then that you were one of the participants?

A. No, I was not a participant.

Q. Is this based upon what was told to you?

A. It was told to me and I happened to look at the assets of the bank in question personally.

Q. Who told you this?

A. Who told me what?

Q. Who told you they had an unsatisfactory experience outside of the State of Colorado?

A. The banker.

Q. What's the name of the bank?

A. First National Bank of Dallas.

Q. What's his name, what's the name of the person who obtained the loan from the First National Bank of Dallas?

A. Yes.

Q. Who obtained the bank——

[512] A. Seventeenth Street Bank.

Q. What individual there?

A. Earl Kramer.

Q. So your entire opinion is based on your one conversation with Earl Kramer, is that correct?

A. No, I did not say that.

Q. Tell me what other bases you have for your conclusion.

A. I said it was an unsatisfactory experience to my knowledge.

* * * * *

[513] Q. I am asking you, are you aware of any other situations in which a person who has purchased stock in a bank in Colorado went outside the State of Colorado?

A. This is very possible. I don't know where every banker in Colorado obtains his financing.

Q. All right. But Mr. Kramer did not say it was unsatisfactory, did he?

A. Well, Mr. Kramer is no longer in the business and I would say that was unsatisfactory.

Q. You were, were you not, opposed to branch banking?

MR. LIPKOWITZ: I object.

Q. You were opposed to branch banking?

MR. LIPKOWITZ: This is outside of the scope of direct examination.

MR. WILLIAMSON: Goes to the question of bias, Your Honor.

THE COURT: We will permit him to answer the question. Are you opposed to branch banking?

THE WITNESS: Yes.

THE COURT: Okay. Is that a sin, too?

Q. Is it not fair to state that you opposed the attempt of the National Bank of Denver to establish branch banking in the State of Colorado?

[514] MR. LIPKOWITZ: Objection, National Bank of Denver——

THE COURT: The First National?

[515] MR. WILLIAMSON: First National.

THE COURT: I think he's referring to efforts to enact the law in the state legislature, general assembly, authorizing branch banking, and I think he wants to know whether you opposed that measure in some way when it was before the general assembly. Is that what you're asking him?

MR. WILLIAMSON: I am, Your Honor.

A. I'm opposed to branch banking. I have always stated that.

THE COURT: Did you oppose the particular measure?

THE WITNESS: Well, I don't know exactly what he means by opposing it.

THE COURT: Well, he wants to know whether you were in opposition to the First National Bank which—together with Colorado National that sponsored this legislation.

THE WITNESS: I was opposed to that legislation, yes, sir.

THE COURT: That's what he's trying to find out; whether you have a feeling of hostility toward the First National Bank.

THE WITNESS: No, I certainly have no—I have an account with the First National Bank from Peoples Bank and Trust, so if I was really hostile toward them I think I'd close the account.

Q. In point of fact the acquisition then by First [516] National Bancorporation of the First National Bank of Greeley has had no impact at all upon your operation, has it?

A. Pardon?

MR. WILLIAMSON: Would the reporter please read back the question.

THE COURT: Has the acquisition or attempted acquisition of the First National Bank of Greeley had any effect upon your operations?

THE WITNESS: I don't think it would have any actual effect on the operation of a bank in Aurora for the acquisition of a bank in Greeley, no.

Q. You have had discussions in the past, have you not, with respect to sale of your controlling interest or the sale of your stock in these banks, have you not?

A. No.

THE COURT: To whom?

Q. Have you had any discussions?

A. I have had people ask if I'd like to sell but if that's a discussion—I don't construe that as a discussion.

Q. Have you had any discussion with respect to buying of stock in any other bank?

A. I have discussed buying stock in banks in the past, but I didn't buy any.

* * * * *

[517] Q. (By Mr. Williamson) Have you ever protested with respect to seeking by another of an application for a charter in any areas served by the banks in which you hold a stock interest?

A. Yes.

Q. Isn't it a fact you opposed every single one of those areas?

A. I don't know that I was opposed to every single one.

Q. Do you know of any you have not opposed?

A. I don't recall at this moment.

MR. WILLIAMSON: No further questions.

THE COURT: Do you wish to question him any further?

[518] MR. LIPKOWITZ: No redirect, Your Honor.

(Witness excused.)

THE COURT: Call your next witness.

MR. SCHOEPKE: May it please the Court, Plaintiff calls Mr. Harry Bloom.

HARRY BLOOM

a witness called by and on behalf of plaintiff, having first been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

By MR. SCHOEPKE:

Q. THE COURT: Give us your name, address and occupation, please.

THE WITNESS: Harry Bloom. I live at 2059 Joliet Street, Aurora, Colorado, and I am State Bank Commissioner and Chairman of the State Banking Board.

Q. (By Mr. Schoepke) Mr. Bloom, how long have you been state banking commissioner?

A. Since January 1965.

Q. And on the basis of your knowledge and experience

as state banking commissioner are you familiar with the banks in Denver which offer correspondent banking services?

A. Generally, yes.

Q. Could you tell us which ones?

A. The principal ones are the five largest banks in Denver, First National, United Bank, Colorado National, American [519] National, Central Bank & Trust, and more recently Security National has become involved.

Q. Now, is the state banking commission office concerned with the issuance of charters to newly organized banks?

A. Well, we are the body that either grants or denies the charters.

Q. And in connection with your activity in granting or denying charters of banks, are you familiar with the method by which new banks are chartered?

A. Yes.

Q. And have you conducted a survey in connection with the method of financing which was used in the chartering of new banks?

A. I have checked our records in our office, yes.

Q. And first off, I forgot to ask, Mr. Bloom—do you appear here under subpoena?

A. Yes, I do.

Q. And how far back did you check the records of your office with regard to the method by which new banks which your office chartered were financed?

A. Since I took office in 1965.

Q. And how many new charters did you cover in the course of your survey?

A. There were 25 charters that were authorized, 19 of which have been issued and the banks are in operation today.

[520] Q. Now, could you tell us of the 19 that are in operation how many were chartered—how many were financed by Denver banks?

A. There were of the 19 that are in operation, there were 11 of the applications in which stock was financed by a major Denver bank or—when I say major Denver bank—by one of the five large banks in Denver that I have mentioned.

Q. And how about the remainder?

A. There were four in which there was no financing needed by the applicants and the other four were financed

by banks located in Pueblo, Englewood, and Greeley. And I think one—in one case a small bank in Denver.

Q. Now, of the eleven banks that were financed by the major downtown Denver banks that you have enumerated, could you tell us who became the primary correspondent of the new chartered bank?

MR. WILLIAMSON: Objection. He has laid absolutely no foundation for that question.

THE COURT: If you know of your own knowledge.

A. Our record shows that and our examination reports show it. The bank that financed the stock normally became the principal correspondent.

Q. What do you mean by principal correspondent?

A. The bank they cleared through on a daily basis and possibly kept their security in safekeeping and purchased [521] excess loans, possibly purchased participation loans.

Q. Now, were these newly chartered banks that you have mentioned—were they confined to Denver or were they in various places throughout Colorado?

A. The actual location of the banks chartered?

Q. Yes.

A. They are scattered throughout the State of Colorado.

Q. And could you tell us on the basis of your general knowledge and experience in the banking business as a banking commissioner and a banker if the financing of new banks by the large Denver banks engaged in correspondent banking a usual or unusual way of financing new banks?

A. It's a very common practice.

MR. SCHOEPKE: I have no further questions.

CROSS-EXAMINATION

By MR. METZGER:

Q. Mr. Bloom, would you have any objection if I were to organize a bank and finance it in New York?

A. No.

Q. Mr. Bloom, in your examination of this question, how many of the banks that were organized in this time period, 19, I believe, were financed in whole or in part by the First National Bank of Denver?

A. One that I——

Q. And that wasn't entirely, was it? There was [522] financing by some of the shareholders, is that correct?

A. Yes.

Q. And when you speak of financing by some of the shareholders, these—some shareholders have their own sources of funds?

A. Certainly.

Q. And some do not, is that right?

A. Yes, sir.

Q. And some use bank financing and some do not; some use their own resources, is that correct?

A. Yes.

* * * * *

[524] MR. MALASKY: Your Honor, the plaintiff calls Mr. Stanley Allen.

STANLEY ALLEN,

a witness called by and on behalf of the plaintiff, having first been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

By MR. MALASKY:

THE COURT: State your name and address and occupation, Mr. Allen.

THE WITNESS: My name is Stanley A. Allen.

MR. METZGER: Your Honor, before this witness testifies, may we approach the bench?

THE COURT: Let's get his address and occupation [525] first though. That's what I asked him.

THE WITNESS: Yes, sir. Durango, Colorado. Vice president, cashier of the Burns National Bank.

AT THE BENCH

MR. METZGER: Your Honor, this witness was a late witness on the part of the government. When Mr. Williamson of my staff asked to speak to the man, Mr. Malasky came up——

THE COURT: You mean to Mr. Allen?

MR. METZGER: Yes, Mr. Allen. Mr. Malasky came up to Mr. Williamson in front of the witness and advised him that he would seek physical violence if he found him speaking to

one of his witnesses. The witness—he thus has had no opportunity whatsoever to speak to the witness.

THE COURT: How did Mr. Williamson react?

MR. WILLIAMSON: I trembled.

THE COURT: You don't think it scared him, do you?

MR. METZGER: I think it denied us the opportunity to speak to the witness, Your Honor.

THE COURT: Well, we will take a few minutes recess and you can interview him if you wish.

MR. SCHOEPKE: I'm sure Mr. Malasky—he is inexperienced, and I will admonish him not to do that again.

IN OPEN COURT

THE COURT: Well, lots of things happen in the heat of a trial, and so long as there is no harm done——

(Whereupon, the trial recessed at 4:23 p.m.)

[526] (After a recess, the Court resumed at 4:33 o'clock p.m.)

THE COURT: All right, Mr. Allen.

DIRECT EXAMINATION

By MR. MALASKY:

Q. Mr. Allen, have you stated for the record your present position?

A. Yes, sir, vice president-cashier of the Burns National Bank of Durango.

Q. And how long have you been vice president and cashier of Burns National Bank?

A. Vice president and cashier since January 1st of 1969.

Q. And before that?

A. I was cashier.

Q. And how long have you been with the Burns National Bank?

A. November 1st of this year will be 25 years.

Q. Mr. Allen, are you familiar with the term correspondent banking?

A. Yes.

Q. And could you describe what correspondent banking is?

A. Actually, I would say it is the wholesale end of banking. It is where one bank can provide services and [527] information for another bank.

Q. And are these services available to you from any source other than a commercial bank?

A. No, sir.

Q. Now based upon your 25 years of banking experience, Mr. Allen, do you consider correspondent banking as a distinct phase of the banking business?

A. Yes, sir.

Q. Do you have any correspondent banking customers yourself in your own bank?

A. Yes, sir.

Q. That you provide services to?

A. Yes, sir.

Q. And who are those banks?

A. We have the Bank of Ignacio at Ignacio, Colorado, and the Dolores State Bank in Dolores, Colorado.

Q. Now, Mr. Allen, do you consider the Burns——

MR. WILLIAMSON: Excuse me, is that answer complete? I think you interrupted the witness. Is your answer complete?

THE WITNESS: Complete.

Q. Now, Mr. Allen, do you consider the Burns National Bank to be a substitute for a Denver bank for your two correspondent customers?

A. Could I refer to the last question?

[528] Q. Yes, please.

A. On the correspondent banks?

Q. Yes.

A. We do have two other banks that carry accounts with us.

Q. And who are they?

A. Bank in Garden—the Garden National Bank of Garden City, Kansas, and the American National Bank in Amarillo.

MR. WILLIAMSON: That's Amarillo, Texas?

THE WITNESS: Yes.

Q. Would you explain what kind of accounts these are?

A. These are more or less dormant accounts that they use for specific clearance of items.

Q. What type of items?

A. Oh, checks, that type of——

Q. Do you provide a full range of correspondent banking services to those two banks?

A. No, sir.

Q. Now, do you consider yourself for the two Colorado banks which you mentioned, the Bank of Ignacio and Dolores State Bank, as a substitute for a Denver bank?

A. No, sir.

Q. For the correspondent banking services, and would [529] you please explain why or why not?

A. We do not feel that we are decentralized enough or have the personnel to give complete service as a correspondent bank.

Q. Would you explain specifically what you do for your two Colorado correspondents?

A. Mainly clearance of checks.

Q. And do you, to your knowledge, do most of the clearing of checks for these banks?

A. No, sir.

Q. Do you know who does?

A. I would assume that they would have other city banks to handle the majority of their——

Q. And why not, to your knowledge, do you not do the majority of their check clearing?

MR. WILLIAMSON: Objection, Your Honor. This is an assumption. The last was an assumption, but now he is making an assumption based on an assumption.

THE COURT: Overruled.

Q. I am asking the witness why, to your knowledge do you not do the majority of the clearing of their checks?

A. Probably because it would take too much time for our facility.

MR. WILLIAMSON: Objection. Move the answer be stricken. He didn't give the source of his knowledge. He [530] said "probably," indicating he is making an assumption.

MR. MALASKY: Could you repeat the last answer?

(The reporter read the previous answer aloud.)

Q. And could you amplify on that answer?

A. Because the majority of checks that would be cleared for those banks would probably be drawn on banks other than in our immediate area in Durango. Consequently, we would have to transfer or forward the check on to the paying or clearing agency or paying bank, and hence we would have probably a day or maybe two days' lapse.

Q. Well, do you happen to know who those banks use for the clearing of their—primary clearing of their checks?

A. I believe both of them use banks in Denver.

Q. Mr. Allen, how far is Denver from Durango?

A. About 380 miles.

Q. And how far is Albuquerque, New Mexico, from Durango?

A. About 225.

Q. And how far is Salt Lake City, Utah, from Durango?

A. About 476.

Q. And how far is Phoenix, Arizona, from Durango?

A. About 500.

Q. Who is your bank's primary correspondent?

[531] A. The Central Bank and Trust Company of Denver.

Q. And do you have any other correspondents in the state of Colorado?

A. Yes, sir.

Q. And where are they located?

A. In Denver.

Q. Who are they?

A. First National Bank of Denver and United Bank of Denver.

Q. Now, Mr. Allen, in your opinion, could the Burns National Bank of Durango do without a Denver correspondent?

MR. WILLIAMSON: Objection, Your Honor; calls for speculation.

THE COURT: Overruled. Can you answer the question?

A. No, sir.

THE COURT: Well, that takes care of that.

Q. I am sorry, did you say that you could not answer my question?

A. No. That was the answer to your question, I believe.

Q. My question was, could you do without a Denver correspondent.

A. My answer is no, sir.

Q. Could you explain why you could not do without a Denver correspondent?

[532] A. Well, we feel that we must have a correspondent in Denver because the economy and the government, about everything that we would be concerned with, is centralized around Denver.

Q. Does it have anything to do with the fact that you are a Colorado bank?

MR. WILLIAMSON: Objection, leading.

Q. Would you state whether or not in your opinion the fact that you are located in Colorado has anything to do with your testimony that you need a Denver correspondent.

A. Yes, we need it for a number of reasons.

Q. Could you elaborate on some of those?

A. Well, one of them would be for the pledging of funds.

Q. What type of——

A. Pleading stock, securities that we may purchase, which are—which we pledge in escrow in our correspondent bank in Denver for guaranty to public depositors, our depositors of public funds.

Q. By depositors of public funds, would you explain who you mean?

A. Yes, for instance, the County Treasurer or any school districts or any other public funds, we must pledge any amount over the $20,000 that is covered by the Federal Deposit Insurance Corporation. We must pledge securities, [533] usually in the amount of 110 percent of the account, and those securities must be in the form of government securities and we put those in our correspondent bank in safekeeping pledged for that deposit.

Q. Now, Mr. Allen, what correspondent banks does the Burns National Bank have outside of the state of Colorado?

A. We have the Chase Manhattan in New York, Albuquerque National in Albuquerque, Bank of California in San Francisco, First National Bank and Trust Company of Lincoln, Nebraska, City National Bank in Kansas City.

Q. You have a correspondent in Houston?

A. Bank of the Southwest in Houston.

Q. Dallas?

A. Republic National Bank of Dallas.

Q. Do you have any other correspondents that you use?

A. I think that's most of them.

Q. Now, Mr. Allen, for what purpose do you use the Bank of California?

A. We clear most of our items going to the West Coast.

Q. Anything else?

A. That's it primarily.

Q. Well, is there anything else or——

MR. WILLIAMSON: I object, Your Honor.
MR. MALASKY: All right.

[534] Q. How about Chase Manhattan? What do you use them for?

A. Primarily Chase Manhattan we use for transfers of currency to foreign countries for our depositors.

Q. Where is Chase Manhattan Bank?

A. One Chase Manhattan Plaza in New York.

Q. I am sorry I interrupted you. Is there anything else you use Chase Manhattan for?

A. We use them for remitting on our American Express Travelers Checks and our travelers checks that we sell for First National City Bank of New York.

Q. Where is Manufacturers Hanover located?

A. That's in New York.

Q. And what do you use Manufacturers Hanover for?

A. The clearance of special items on a direct basis and also for transfers of foreign exchange because they do have branches in some foreign countries that Chase Manhattan does not.

Q. Are those the only purposes for which you use the Manufacturers Hanover Bank?

A. That's about the only purpose.

Q. What do you use the First National Bank and Trust of Lincoln, Nebraska, for?

A. For the clearance of special items and also they—we sell federal funds through First National of Lincoln.

[535] Q. And how about the Bank of the Southwest in Houston?

A. That's mainly on drafts for oil leases and sometimes special items.

Q. How about Republic National Bank in Dallas?

A. Same thing in Dallas.

Q. How about Albuquerque National Bank? What do you use them for?

A. The clearance of special items, and also they do help us with references, and we also use them for other advice, especially from a legal standpoint as to the laws of New Mexico.

[536] Q. How about City National in Kansas City?

A. City National of Kansas City, clearance of special items and also for the transfer of funds for the sale of livestock in the stock yards there which are transferred to

our account for the benefit of our depositor. Also we carry the account of Sears Roebuck of Durango and their main correspondent is our area is the City National.

Q. Now, Mr. Allen, could you substitute the Lincoln, Nebraska correspondent for the services which you now get from the Albuquerque National Bank?

A. I do not think we could, no.

Q. How about your New York correspondents?

A. No.

Q. How about your Dallas correspondents?

A. No.

Q. Why couldn't you substitute a correspondent in Dallas for a correspondent in New York or a correspondent in Kansas City?

A. Well, specifically, we feel that as an example we can issue a draft on our account with Chase Manhattan Bank in New York in payment of travelers checks that are sold and as soon as they get the draft they can clear it, whereas if we issued a draft on our account in Dallas it would take a longer time for them to clear their draft of that remittance.

Q. In your opinion, do you need a correspondent in each [537] of these cities for particular purposes relating to those cities?

A. I think so, yes, sir.

Q. Now, how do you pay for all these correspondent services which you obtain from these various banks?

A. We pay by reference of customers to that bank or to friends of our customers in that area, but mainly through deposits of our—in our account for our credit.

Q. And what type of deposits? What form do these deposits take?

A. They are in the form of accounts, demand accounts.

Q. Demand accounts?

A. Bank demand accounts.

Q. Now, Mr. Allen, you stated that your primary correspondent is Central Bank and Trust Company in Denver, but that you also I believe stated you have the United Bank of Denver and the First National of Denver as correspondents, is that correct?

A. Yes, sir.

Q. Could you please tell us what you use United for?

A. Mainly United Bank is used for the clearance of our Master Charge remittances. We are under their—they are one of the members of the Mountain States Bank Card

Association and we clear our Master Charge through the United Bank.

Q. And how about the First National Bank of Denver, what do you use them for?

[538] A. First National Bank of Denver for many years has been the main depository of our J. C. Penney Company store and me have handled remittances for the transfer of their money directly to their account at First National Bank of Denver.

Q. Now, could you explain in a little bit more detail just what your prime correspondent, the Central Bank and Trust Company here in Denver, does for you?

A. Well, for the last year and a half they have been kind enough to sell federal funds for us on a daily basis, which allows a small bank such as ours to draw daily interest on any extra cash we may have on hand. They have participated in loans, overrides, loans which are too big for our bank to carry. They have referred demand and loan accounts to us over the years. They have given us advice and help in banking problems. They have purchased securities for us on the market. They hold securities of our portfolio in the safekeeping vault. They have acted as an escrow agent for our securities, which have been pledged as I said a while ago as a guarantee for public funds. They have been quite lenient on legal advice that we may have called upon them for and they have been from a personal standpoint very kind to our customers and clients they have referred to us and that we have likewise referred to them, and I feel that they can't be—they have also furnished us with copies of the state banking code at various [539] times and other publications and I feel that we need a correspondent in Denver.

[540] Q. Would you think that the services which the Central Bank and Trust Company provides to your bank constitute a full range package of correspondent banking services?

A. I feel they do.

Q. And you mentioned that they are the safekeeper for the security which you deposit as collateral for state or municipal funds deposited in your bank. To your knowledge, Mr. Allen, could you use a bank in Albuquerque for this purpose?

A. No.

Q. Would you state why?

A. Because we are requested to use Colorado banks.

Q. You are requested? Do you know if you are required to use——

A. In certain cases we're required.

Q. Now, in your opinion could any of the banks—the other banks which you correspond with outside the state of Colorado do all the things for you that Central does for you?

A. No, they can't.

Q. And in your opinion, Mr. Allen, based upon your 25 years of banking experience in Colorado, could any bank in Colorado, but outside of Denver, presently furnish to you the full range of correspondent services you now get from Central?

[541] A. Not to my knowledge, no, sir.

Q. Is it your opinion that any other Denver banks could furnish these services to you?

A. I believe they could.

Q. And could you state which Denver banks in your opinion would adequately substitute for Central if you had to make a switch?

A. First National Bank of Denver, United Bank of Denver, Colorado National, American National, and possibly the Security National.

Q. Now, Mr. Allen, you stated that Albuquerque, New Mexico, is only 225 miles from Durango, while Denver is 380 miles from you, but, yet, you still maintain your prime correspondent in Denver. Why do you use Denver instead of Albuquerque?

A. I think one of the main reasons is because naturally our Denver correspondent is more familiar with the banking laws of Colorado. And at times we have to seek their help and advice. Whereas, the banks in Albuquerque would not be versed to the point that our correspondent in Denver would be; also for the clearance of checks. We make the—we have the majority of our checks going east, and of course a lot are drawn on banks in this part of Colorado, and certainly we would have faster clearance.

Q. Do you consider the Federal Reserve Branch in [542] Denver as an adequate substitute for the full range of correspondent services which you state that Central now provides you?

A. No, sir.

Q. Could you state why not?

A. One of the reasons—the Federal Reserve Bank is a bank's bank, and certainly they are not going to be—they're not going to treat a correspondent or country bank on the same plane that a private-owned bank would. And naturally it would be impossible for the Federal Reserve Bank to refer customers to us, for instance. And, a lot of services that we get from our correspondent bank. And I don't think it would be ethical for the Federal Reserve Board to extend such services.

* * * * *

[547] IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO
Civil Action No. C-2413

UNITED STATES OF AMERICA,
PLAINTIFF.
vs.
FIRST NATIONAL BANCORPORATION AND FIRST NATIONAL BANK OF GREELEY,
DEFENDANTS.

Proceedings before the HONORABLE WILLIAM E. DOYLE, Judge, Presiding, United States District Court for the District of Colorado, Courtroom D, U. S. Courthouse, Denver, Colorado, commencing at or about the hour of 9:00 o'clock a.m., Thursday, May 6, 1971.

APPEARANCES:
(As heretofore noted.)

[548] THE COURT: Mr. Allen, will you come forward, please.

The oath has already been administered to you so just resume the witness chair and we can take up your cross-examination.

CROSS-EXAMINATION

By MR. METZGER:

Q. Mr. Allen, did we have breakfast this morning?
A. Yes, sir.
Q. And at that time did I ask you what your response to certain questions would be and was your response that I would hear them when you were on the witness stand?
A. Yes, sir.
Q. And at that time, sir, did I say to you that in the search for truth, that is a trial, that witnesses should be exposed to the facts presented by both sides before they make their judgments?
A. Yes, sir.
Q. And that your response was you were not interested in any of my facts, quote unquote?
A. I don't remember saying that, no, sir.

Q. Do you deny that you said it?

[549] A. I don't know exactly what words I used, sir. I said I didn't have to.

Q. And that you were not interested in what my facts were?

A. I don't remember saying "not interested."

Q. That you didn't care to hear my facts? Is that closer for you?

A. I said I would on the witness stand. I intimated I would on the witness stand.

Q. Were we alone at breakfast?

A. No, sir.

Q. Someone else was with us?

A. Yes, sir.

Q. Mr. Hogue was with us?

A. Yes, sir.

Q. If Mr. Hogue told you that was what you said, would you concede that was what you said on that point?

A. I would.

MR. METZGERS Thank you. No further questions.

REDIRECT EXAMINATION

By MR. MALASKY:

Q. Mr. Allen, did I at any time ever state to you that you should not speak to counsel?

MR. METZGER: Objection, Your Honor. I have made no intimations about counsel or counsel's ethics.

[550] MR. MALASKY: Okay. No further qustions.

THE COURT: All right. Then you will be excused from further attendance at this trial. You may leave.

(Witness excused.)

MR. MALASKY: May it please the Court, Your Honor, the government calls Mr. Donald Winter.

DONALD W. WINTER,

a witness called by and on behalf of plaintiff, having first been duly sworn was examined and testified as follows:

DIRECT EXAMINATION

By MR. MALASKY:

THE COURT: Give us your full name, address and occupation.

THE WITNESS: My name is Donald W. Winter. I reside at 2194 Donnellon, Burlington, Colorado. I am presently president of the First National Bank at Burlington.

Q. (By Mr. Malasky) Mr. Winter, how long have you been president of the First National Bank of Burlington?

A. Slightly over three years.

Q. And when was your bank founded?

A. October 1963.

Q. And do you know when your bank became profitable?

A. I believe during the middle of the year 1965.

Q. Now, Mr. Winter, are you familiar with the term correspondent banking?

[551] A. Yes.

Q. And could you describe for the Court what correspondent banking means to you as a banker?

A. Correspondent banking to me would mean a small bank such as ours having a personal and close relationship with a large bank such as ours, the United Bank of Denver, whereby we would carry substantial demand deposits with them and in turn we would be provided a full range of services by that bank.

Q. Now, is there a full range of correspondent services available to your bank from any source other than another commercial bank?

A. I would say no.

Q. Now, in your opinion, Mr. Winter, is correspondent banking a distinct and well recognized aspect of the banking business?

A. Yes, sir.

Q. Can you state why it is such?

A. I don't believe a bank like ours could exist without a correspondent bank relationship. We have other sources such as the Fed. but we do have to have the large correspondent banks.

[552] Q. Well, can the Fed provide all the services which you need as a banker?

A. No, I don't think so.

Q. Can you state why not?

A. Overline loans would be one example that they could not provide the service that we need.

Q. By the Fed, you mean——

A. Federal Reserve Bank.

Q. Federal Reserve Bank. Now, where is Burlington located, Mr. Winter?

A. Approximately 170 miles straight east of Denver, 12 miles this side of the Kansas border.

Q. I see, and what is the closest city to Burlington besides Denver?

A. I think Wichita, Kansas. I'm not positive of it.

Q. Do you know how far Wichita, Kansas, is from Burlington?

A. Approximately 375 miles.

Q. Now, Mr. Winter, what banks does the First National Bank of Burlington use for correspondent services?

A. We use the United Bank of Denver, the Union National Bank of Wichita, Kansas, the Omaha National Bank of Omaha, Nebraska, and Kit Carson State Bank, Kit Carson, Colorado.

Q. Why do you use Kit Carson Bank?

[553] A. Because of common ownership.

Q. Now, Mr. Winter, could you tell the Court what the Omaha National Bank does for you?

A. The Omaha National provides us with overline loans and a few Fed fund purchases, Federal fund purchases. I believe that's all we use them for.

Q. Do you use them for any security safekeeping?

A. No.

Q. Why is that?

A. Because of the inconvenience mainly, the distance and the time involved in our mail service.

Q. I see. What does the Union National Bank in Wichita do for you?

A. They handle one overline loan and that is all we have ever used them for.

Q. Anything else?

A. No, sir.

Q. Now, do you think that the Union National Bank of Wichita would provide other services to you?

A. Yes.

Q. Would you use them?

A. No.

Q. Could you explain why or why not?

A. Because of the inconvenience and the mail service. Our mail from Burlington goes to Denver. If we send to [554] Wichita, Kansas, our mail goes to Denver and then to Wichita. If we send to Omaha, it goes to Denver and then to Omaha.

Q. Do you have a primary correspondent?

A. Yes.

Q. Who is that?

A. United Bank of Denver.

Q. Could you describe in some detail what United Bank of Denver does for you?

A. They provide us with our check clearings, our overline loans. They purchase participations in our overline loans. They sell us participations if we want them in their loans. They escrow our securities for the state, county and city deposits. They purchase and sell securities for our own account. They handle Fed fund purchases and sales for us. They provide legal advice, if we want it, and many personal services, and I am sure many more that I can't think of offhand.

Q. Would you describe the services that you receive from United Bank of Denver as a full range of correspondent services?

A. Yes.

Q. Now, you mentioned that you have state funds deposited in your bank, I believe. Is that correct?

A. Yes.

[555] Q. And must you post collateral for such deposits?

A. Yes.

Q. And could you describe the requirements or what you must do in securing state deposits?

A. We must pledge government securities. I'm not sure that it has to be government securities, but we always do. We pledge 110 percent of the amount of the deposit and these are held in escrow at the United Bank of Denver.

Q. Now, could you state whether or not to your knowledge you are required by law to post those securities in a Colorado bank?

A. Yes, we are.

Q. Mr. Winter, have you ever given any thought to the establishment of a new bank charter since you have become President of the First National Bank of Burlington?

A. Yes.

Q. Did you take any action to follow up on these thoughts?

A. A little. We started to fill out an application. We inquired about a bank stock loan, and that's about as far as we went.

Q. And where did you inquire about a bank stock loan?

A. At the United Bank of Denver.

Q. Now, how do you pay for the correspondent services which you obtain from these various banks?

[556] A. Through balances.

Q. Is this the primary way that you pay for them.

A. Yes.

Q. Or is there any other way that you pay for these services?

A. No.

Q. Are there some services that you pay cash for?

A. We do have one service that is a contract service. We have a data line computer on our demand deposits.

Q. With——

A. With United Bank Denver. This is on a contract basis, though, and we pay for this service.

Q. Now, Mr. Winter, if for some reason you were to become dissatisfied with the services that you were receiving from the United Bank of Denver, where would you look for a replacement?

A. Probably with another bank in Denver.

Mr. Malasky: Just for the record, I am handed a note that I asked him, "since you have become President of First National Bank of Denver." I think I meant to say First National Bank of Burlington.

Q. Do you know what the total of your correspondent balances are in other banks?

A. Roughly—in other banks other than United Bank?

Q. No, in total.

[557] A. Approximately a half a million dollars, excluding the Federal Reserve Bank.

Q. And would you state about what percentage of that is in your Denver correspondent?

A. Approximately 80 percent.

Q. Now, have any other banks solicited you for correspondent business?

A. Yes.

Q. And could you state who these banks were?

A. Formally we have been approached by the Security National here in Denver, informally by Central Bank and Trust, Commerce Bank of Kansas City, and the First National of Kansas City.

Q. Now, what banks do you consider as an alternative or substitute for the full range of services which you require?

A. Right now I would consider the First National of Denver or Central Bank and Trust Company of Denver.

Q. How about Colorado National or American here in Denver?

A. I am sure they would do the job, although I don't know anyone personally in those banks.

Q. How about Security National?

A. I assume so, but I am not sure. We handle lots of agricultural loans and I don't know whether Security [558] National handles ag loans.

MR. MALASKY: I have no further questions. Your witness.

CROSS-EXAMINATION

By MR. SCHWARZ:

Q. Mr. Winter, just as a preliminary question, are your Fed funds paid for by the—out of the account that you maintain at the correspondent bank, in this case, United?

A. Yes, sir.

Q. Or are they paid for on a basis where the correspondent bank takes one-eighth as their charge for this service?

A. I am told they do not take a charge. I can't swear to this, but they say they do not take a charge.

Q. Would you be surprised if you learned that they did take a charge?

A. No.

Q. Mr. Winter, isn't it true that each one of these correspondent services that you directed your direct testimony to, such as check clearing, overlines, escrow, securities purchases, and sales, Fed funds, legal advice and, quote, personal services, unquote, can be obtained separately?

A. Yes, sir, I am sure they can.

[559] Q. Would you consider it a good business practice to seek the best supplier of each of these items on the basis of quality and service provided?

A. No, I would not.

Q. Do you mean to say, then, that if you would be able to find that one other organization would be able to provide you with escrow services better and cheaper than you now have with United you would disdain to use that service?

A. No, I would say we would not use that service. My point was that a small bank such as ours cannot pay for all these services through several different banks.

Q. May I qualify my question by saying that the pay-

ment, of course, would be proportional to the service received. I think that is an assumption that everyone can make. You wouldn't necessarily have to keep a half million dollars on balance just to pay for escrow accounts. May I qualify the question by saying, assuming the price is competitive and the service is better, would you think that it would be a good business practice to seek the best price and best service for each of these items?

A. Yes.

Q. Wouldn't it be possible to do so—Let me continue that question by saying—You say you do your check clearing with United?

A. Right.

[560] Q. Is it possible to clear your checks through the Fed.?

A. Yes.

Q. If the Fed. were able to provide you with better services in a shorter period of time at a lower correspondent balance or a lower cost, would you think it would be a good business practice to clear your checks with the Fed.?

A. Yes.

Q. Let's take overlines. Is it possible to obtain overlines from a bank other than United?

A. Yes, I'm sure it is.

Q. Indeed you do obtain some overlines from other banks?

A. Yes.

Q. Do banks with relative frequency solicit such business from you?

A. I would not say with frequency. In the last three years probably three or four times.

Q. Since you can as you testified obtain these overline services from other banks than United, would you think it would be a good business practice to obtain these services from the bank that would give you the most quick service on obtaining overlines with as minimum paperwork as possible; with as little correspondent balance possible; and with the best service to your customer who is the real beneficiary of this service, isn't that a fact?

[561] A. Yes, sir.

Q. This service could be performed by virtually any large bank west of the Mississippi, indeed, couldn't it?

A. Could be, but would not be feasible for us.

Q. When you say not feasible, you're speaking as a

matter of convenience. But, it could be performed, isn't that correct?

A. Could be, yes.

Q. But if the convenience factor were balanced with the factor of price and service and indeed price and service outweigh the slight disadvantage of convenience, wouldn't you say that it would be possible if not desirable to do your business in overlines with that bank?

A. No, because——

Q. Now, I made an assumption, sir. Assuming the convenience was outweighed by the price and quality of the service.

A. I can't assume that the convenience would be outweighed.

Q. I ask you to assume it.

A. Yes, if I have to assume that.

Q. Federal funds for example—you say United sells Federal funds for you?

A. Correct.

Q. Is this something that would require simply a [562] telephone call to Omaha to have exactly the same service performed?

A. Yes.

Q. The convenience factor in that case would be minimal?

A. Correct.

Q. Legal advice—I assume there are lawyers in Burlington from where you could obtain legal advice, is that correct?

A. Yes——

Q. Or lawyers in Denver?

A. Correct. This is where we would go, would be to Denver.

Q. Personal services—I'm not quite clear what personal services are. Would this simply be things like purchasing tickets to entertainment events, or something of that sort?

A. This would be included in it. It would also include in personal services many things—tickets, as you mentioned.

Q. But this is the general drift?

A. Referring customers to us and a multitude of services.

Q. All of which tickets, for example, you can get elsewhere?

A. Yes, no doubt about it.

Q. Securities purchases and sales—are you referring [563] to municipal bonds?

A. Yes.

Q. Is it possible to obtain municipal bonds from municipal bond dealers who are not banks in Denver?

A. Yes.

Q. Isn't it true many banks do obtain their municipal bonds from these bond dealers?

A. Yes.

Q. Escrow—you said—I withdraw that.

I believe you said that United holds collateral for you for state deposits?

A. Yes.

Q. And holds them in escrow. I believe you did say that this is required to be done in a Colorado bank.

A. Or the Federal Reserve Bank.

Q. Or the Federal Reserve Bank. So the Federal Reserve Bank is a competitor of United in this service?

A. Yes.

Q. Are not all relatively large Colorado banks also competitors of Denver for this service since they are in Colorado? Speaking only with regard to this service, now, sir.

A. Yes.

Q. And if they would provide equal or better quality service as—at equal or lower price would they not be considered as a competitor—an important competitor in this [564] market?

A. I would assume so, yes.

Q. Data processing, you mentioned in somewhat of a different category. I take it you do not consider this a correspondent service since it is paid for on a contract basis?

A. That's correct.

Q. Are you aware of the fact, Mr. Winter, there are many out of state municipal bond dealers that have tie-lines into Colorado, for example, Memphis, Chicago, San Francisco, New York City, Newark, New Jersey, and literally any aggressive bond dealer in the United States from whom these bond purchases and sales would be available on just as convenient terms as this telephone call to Omaha that I mentioned before?

A. Am I aware of that?

Q. Are you aware of that?

A. Yes, I'm aware of it, although if I may add, our Colorado Bankers Association has warned us not to use these dealers.

Q. Oh, they have?

A. Yes. And we receive five or six telephones calls a week from these dealers in Memphis especially.

Q. But they are soliciting your business?

A. Definitely.

Q. And it is possible that if this warning had not been issued some Colorado bankers may have availed themselves [565] of this?

A. I would assume so.

Q. You said you correspond with a bank called the Kit Carson Bank?

A. Yes.

Q. Is this correspondent relationship related to the purchase and sales of loans?

A. Yes.

Q. What you would normally call overlines or participations?

A. Yes.

Q. To this extent then Kit Carson Bank is a competitor of United, is it not?

A. Correct.

Q. Are you aware, sir, that since you are a national bank, the Federal Reserve provides a cost accounting service?

A. No, I'm not aware of that.

Q. Would you be surprised to learn that the Federal Reserve does provide a cost accounting service to smaller member banks?

A. No.

Q. Would you consider this a service that you might well avail yourself of?

A. Yes.

Q. Isn't it a fact that in view of the above facts [566] that we have brought out that this acquisition, the acquisition at issue here at this trial of the First Naional Bank of Greeley by the First National Bancorporation does not affect your freedom to obtain any of those correspondent services anywhere?

A. Right now I would say it does not affect us.

Q. This acquisition at this time? That's the question.

A. At this time, no.

Q. May I go back for one second to the escrow services that the United Bank performs for you and which I believe —if I recall correctly you said could be performed just as well at the Fed.

A. I would assume so, yes.

Q. If I did not make that clear, I just wish to get that on the record. I wish to further clarify my original question by making clear that I was referring to the public funds that are on deposit with your bank for which you have put up certain securities as deposit in escrow in a Colorado organization or with the Fed.

A. Yes.

Q. And that is a fact?

A. Yes.

Q. So the Fed is a competitor with any other bank in Colorado for that service?

A. (Nods affirmatively.)

[567] MR. SCHWARZ: No further questions, Your Honor.

REDIRECT EXAMINATION

By MR. MALASKY:

Q. Just a few questions, Mr. Winters. Would it be a good business practice to have numerous correspondents simply because for various items they were individually cheaper?

A. No.

Q. You stated that you pay for most of these correspondent services by maintaing balances. Now, do you consider the balances which you keep in your correspondent as giving you access to all or nearly all of the services which your correspondent provides?

A. Yes.

Q. Now, to your knowledge—Withdraw that, please.

How often are you in the federal funds market? How often do you buy and sell federal funds?

A. Daily.

Q. Would it be as convenient for you to make a call to Omaha as it would to deal with your Denver correspondent?

A. No. There would not be a great lot of difference, but it's a little more inconvenient with Omaha or someone else.

Q. Would it be less expensive to call Denver?

A. Yes.

Q. Would it be less expensive to call Denver than it [568] would to call New York?

A. Yes.

Q. Or Memphis?

A. Yes.

Q. Or Albuquerque?

A. Yes.

Q. Or Los Angeles?

A. Yes.

Q. Would you use the Kit Carson bank as a correspondent but for the fact that there is common ownership between you?

A. No.

Q. And in your opinion, Mr. Winters, can any bank elsewhere outside of Denver provide you as a package or cluster the services which you obtain from your Denver correspondent?

A. Not to my knowledge, no.

MR. MALASKY: Thank you. I have no further questions.

RECROSS-EXAMINATION

By MR. SCHWARZ:

Q. Mr. Winters, you said it's more expensive to call Memphis than Denver.

A. I assume it is, yes.

Q. Could you call the bond dealer collect?

A. Probably.

MR. SCHWARZ: No further questions.

THE COURT: I believe that's all. You may be [569] excused.

(Witness excused.)

MR. LIPKOWITZ: Plaintiff calls Walter McKinstry.

WALTER McKINSTRY,

a witness called by and on behalf of plaintiff, having first been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

By MR. LIPKOWITZ:

[570] THE COURT: Give us your name, address and occupation.

THE WITNESS: My name is Walter R. McKinstry. I live at 300 West Eighth Street in Julesburg, Colorado. I am President of the First National Bank of Julesburg, among other things.

DIRECT EXAMINATION

By MR. LIPKOWITZ:

Q. Mr. McKinstry, are you here under subpoena?

A. Yes, sir.

Q. Mr. McKinistry, how long have you been President of the First National Bank of Julesburg?

A. More than 30 years.

Q. How long have you been in the banking business?

A. More than 50 years.

Q. Among the other things that you just referred to, were you at one point Chairman of the State Welfare Board?

A. Yes, sir.

Q. Could you tell us just how far Julesburg is from Denver?

A. 182 miles.

Q. And how far is it from the Nebraska border?

A. Half a mile to the north and a mile to the east, right in the corner.

Q. Over your 50 years of banking experience, have [571] you become familiar with what is known as correspondent banking?

A. I have lived with it.

Q. Could you just tell the Court what correspondent banking is?

A. Well, that would take too much time. I think you have had it here before, but correspondent banking to me is that we must have a correspondent bank for a small bank in order to clear checks for us, to escrow bonds for public funds deposited with us, for the securing of credit information for us for our customers from perhaps anywhere in the United States, just a multitude of things, including even personal relationships. I even get into the dog breeding business with officers of the United Bank of Denver, so there isn't any limit to my relationship with the correspondent bank.

Q. I see. Could you tell us who your correspondent banks are?

A. Primarily the United Bank of Denver, First National Bank of Denver, Colorado National Bank of Denver, Omaha National Bank, Omaha, Nebraska, Commerce Trust Company—Corporation—Commerce Trust Company, that's right, Kansas City, Missouri, Chemical National of New York City.

Q. I see, and could you tell us what you use Omaha National for?

[572] A. We use Omaha National to clear our eastern checks and carry some overline on cattle paper.

Q. I see.

A. They are a strong cattle-paper-carrying bank.

Q. I see, and could you tell us what you use the Commerce Trust Company of Kansas City for?

A. Very little. We have some wheat drafts. They load wheat into cars and then the elevator draws a draft and some of that is shipped to Kansas City, so we use a correspondent in Kansas City for that purpose.

Q. You mentioned—is that Chemical of—

A. Chemical National Bank and Trust Company of New York City. We have a little bit of overseas business. We have customers who want some accommodations in New York and it gives us a personal relationship there for New York City.

Q. Now, would you tell us whether you have any one bank that you consider to be your primary correspondent?

A. Yes, United Bank of Denver.

Q. Why do you consider United to be your primary correspondent?

A. Because we keep more of our money there than we do any other bank in Denver.

Q. What do you obtain for keeping this money there?

A. Oh, they do a multitude of services for us. They [573] secure credit information for us when we need it for our customers. They escrow bonds.

Q. Are these the municipal bonds?

A. Municipal bonds and Colorado bonds, and, as you know, you can only post Colorado bonds and Federal bonds for these public deposits. Then—what's your question again, sir?

Q. What other services do they provide you?

A. Well, there are so many I can't just tell you off the cuff. They safekeep from a million to two million of bonds

for our bank or our customers. They carry overline loans for us when we request them. They supply us all the services of their trust department for our bank and our bank's officers and our customers. They assist us in—for instance, just recently we had a million-dollar HUD project for Julesburg, and without this correspondent service we could not have secured this project.

Q. I see.

A. And that's one of the big things that the bank can do for you, and then the personal errands. You can call up and get them to make reservations for me with the hotels here in town when it is pretty tight and they can secure airline tickets for me, sometimes get show tickets for us or our customers, and, as I say, it sort of even gets into a personal relationship, and then when we buy bonds here [574] from dealers we have these bonds delivered to the United Bank and they accept them for us and safekeep them and they assist us in a lot of ways with government offices here in Denver. All of the Colorado offices are here in Denver, State Highway Department and State Land Board and many others that we need in our business. They assist us there.

Q. Do you have to come down and see these people?

A. Quite often. I am in the bank there once a month and many times twice a month.

Q. And do they let you use some of their office space as a place to meet people here in Denver?

A. Yes, many times. We have customers right here in Denver who still do much business with us and they like to meet with me sometimes and so we are furnished an office in the bank for our conference.

Q. And you find it necessary then to have a Denver correspondent?

A. We would be lost without one.

Q. And——

A. We have to have one.

Q. Could you substitute any other correspondent elsewhere in Colorado for a Denver correspondent?

A. No, we couldn't because all the bonding houses that we deal with and the government offices that we deal with—this is the center of our economic and social life, [575] Denver.

MR. LIPKOWITZ: Okay, thank you. That's all.

CROSS-EXAMINATION

By MR. SCHWARZ:

Q. Mr. McKinstry, as I heard your direct testimony, you indicated you used the United Bank of Denver for some trust services?

A. Yes.

Q. Do they charge you separately besides your correspondent balance?

A. They do not.

Q. Oh, before I go on, you mentioned that you utilized a room over at the United Bank of Denver to meet with people and customers. Is it possible that the Brown Palace might be a competitor with United for this service?

A. Well, if I took them over to the Brown Palace, it would cost me $26.

Q. But they are a competitor, nevertheless?

A. I couldn't answer that.

Q. How much money do you keep on deposit with United?

A. Anywhere from three hundred fifty to six hundred thousand dollars. That entitles us to a lot of service.

Q. Including room?

A. Occasionally. Not hotel rooms, just conference rooms.

[576] Q. You mentioned that you send your bonds over to United after they are purchased.

A. For instance, we buy bonds from Boettcher, we ask Boettcher to deliver them to the United.

Q. Could United purchase them for you?

A. They do purchase bonds for us. We don't give all our—all our business isn't done there from bonds. Sometimes there is better offerings from one of these houses than there is from the bank.

Q. In other words, some of these houses are better competitors than——

A. At times. At times.

Q. You mentioned that United keeps escrow funds for public deposits.

A. Public funds.

Q. Is it possible to obtain the same service from the Fed?

A. Not that I know of. I don't know that. The Fed is a bank's bank, not—not for individual banks.

MR. SCHWARZ: May I have one moment, Your Honor?

THE COURT: Sure.

(Counsel conferred.)

Q. Mr. McKinstry, is it true that the First National Bank of Denver maintains your bank's profit in profit sharing?

A. Profit-sharing trust fund. We also carry a [577] fair-sized account there.

THE COURT: Beg your pardon?

THE WITNESS: We also carry a fair-sized account there, Judge.

Q. Isn't it true that you mentioned to me when I spoke to you that they also kept safekeeping for some of your bonds?

A. Yes, they do.

Q. Does First National charge you separately for the services performed with regard to your profit-sharing and pension plan?

A. Yes, they do.

Q. You mentioned you participate in loans in both Omaha and Denver, is that correct?

A. That's correct.

Q. Are there any other cities where you participate in loans?

A. No, sir.

Q. Do bankers from other cities solicit your business with regard to loan participations?

A. Not recently.

Q. But they have?

A. They have, years ago.

Q. Mr. McKinstry, do you recall back to 1963 when branch banking was an issue in this state?

[578] A. I surely do.

Q. What was your position on that?

MR. LIPKOWITZ: Objection, we are not really discussing branch banking in this case. It is outside of the scope of the direct.

THE COURT: We will permit him to answer. Go ahead.

A. What was my position?

Q. Yes, sir.

A. I didn't take an active position, but my feelings were that I was against it.

MR. SCHWARZ: Thank you. No further questions.

THE COURT: Did you have anything further?

MR. LIPKOWITZ: One last question.

REDIRECT EXAMINATION

By MR. LIPKOWITZ:

Q. Are there any other institutions, financial or otherwise, from which you can obtain the full package of services that you obtain from your correspondent in Denver?

A. Well, it is possible, but not very probable. After you have 40 years of association, you build up your reputation, your record, anything you want you get. I don't know how you could transfer it to a new bank and get that.

Q. Are there any other organizations besides banks that offer the full range of services?

[579] A. No, sir.

MR. LIPKOWITZ: Thank you, Mr. McKinstry.

THE COURT: Yes, you may be excused. Thank you very much.

THE WITNESS: Thank you, sir.

MR. MALASKY: Your Honor, the next witness will take a little bit of time. I don't know whether you wanted me to proceed at this time.

THE COURT: Yes.

MR. MALASKY: The Government calls Mr. Charles Smukler.

CHARLES H. SMUKLER,

caled as a witness by the plaintiff, being first duly sworn, on his oath testified as follows:

THE COURT: State your full name, address and occupation, please.

THE WITNESS: Charles H. Smukler, S-m-u-k-l-e-r, 6707 South Jackson Court, Littleton. I am President of the Security National Bank, Denver.

DIRECT EXAMINATION

By MR. MALASKY:

Q. How long have you been President of Security National Bank in Denver?

A. About a year and a half.

Q. Would you tell us of your prior employment before [580] you became president?

A. I started in banking in about 1950 at the then United States National Bank, worked there until about 1953, when

I went to the First National Bank of Englewood, and was at the First National Bank of Englewood in various capacities until 1963, when we organized the Security National Bank, opened that bank, and in June of 1964 had an opportunity to purchase along with other people a small bank in the suburbs of Denver. I was president of that bank until May of 1969, at which time I came back to the Security National Bank and have been there ever since.

Q. Is the Security National Bank part of a holding company?

A. Yes, it is part of First Colorado Bankshares.

Q. Mr. Smukler, are you familiar with the term in banking known as correspondent banking?

A. Yes, sir.

Q. Could you describe what correspondent banking is?

A. It is a group of services which can be offered by one bank to other banks that might require those services.

Q. And is your bank, Security National, presently in the business of providing correspondent banking services to other banks?

A. Yes, sir.

Q. And how long has your bank been engaged in the [581] correspondent banking business?

A. Approximately since June of 1964.

Q. And has your bank always been an active correspondent bank since that time?

A. No, it has not been.

Q. When did it become an active correspondent bank?

A. Well, we really—we are really not what would be considered an active correspondent bank, although we intend to be an active correspondent bank.

Q. Does your bank have people active in correspondent banking?

A. Yes, sir, we do.

Q. And how many people are involved in correspondent banking?

A. Four people.

Q. Does that include you?

A. Yes, sir.

Q. Now, Mr. Smukler, does your bank solicit customers for the correspondent services which you offer?

A. Yes, sir.

Q. And what type of customers are these?

A. They are other banks.

Q. And why do these banks seek correspondent services from you?

A. Well, they either have needs—customer needs [582] or they have internal needs of their own that they are not able to satisfy within their own capabilities.

Q. Could you describe what services the Security National Bank offers to other banks when you solicit them as a customer for your correspondent department?

A. Yes, sir, I think what we offer would be considered a full range or package of correspondent banking services that would include electronic data processing and loan participations, safekeeping, purchase and sale of Fed funds, the providing of currency and coin to correspondents on request, all of the items that have been talked about, all of the services talked about in testimony heretofore.

Q. Do you provide credit information?

A. No, we do not. Well, let me put it this way: With the new Fair Credit Reporting Act, we don't know whether we are or not. At the moment, we are not.

Q. Do you aid other banks in the recruitment of personnel and training of personnel?

A. Yes, sir, on request we do.

Q. How about check clearing?

A. No, that's done through our affiliate, First National Bank of Englewood, at the present time.

Q. Does the Security National Bank intend to take on check clearing?

A. If we are successful in our correspondent banking [583] endeavor, we do, yes.

Q. Does Security National Bank aid in the establishment of new banks?

A. On request, yes, we are prepared to give financial aid, to help in the applications for the charters, site selection, feasibility studies, personnel selection, training, et cetera, yes, sir.

Q. Do you do anything to help the bank on its opening day?

A. Yes, sir, sure, in personnel mainly, in that area.

Q. Now, when you or your correspondent people solicit other banks, what correspondent services do you attempt to sell?

A. We attempt to sell everything. They don't always buy

everything, or use everything, but we attempt to sell everything.

Q. And do the banks which use your correspondent services use all of the services?

A. No, they don't. There are some things like those banks that we have, electronic data processing, Fed funds transactions, escrow safekeeping, providing currency and coin. These are all really day-to-day things that we do for our correspondents.

Q. And do they buy those services as a package?

A. Normally, yes.

[584] Q. There is testimony here that banks have—I think the term was escrow safekeeping.

A. Yes, sir.

Q. Is that right?

A. Yes.

Q. Does your bank do escrow safekeeping?

A. Yes, sir.

Q. Is this a service which you provide only for Colorado banks?

A. Inasmuch as the law applies to Colorado, yes.

Q. Now, Mr. Smukler, how is your bank reimbursed for the services which you provide through other banks?

A. Well, we are reimbursed in two ways; there is direct cost for services performed mostly in the EDP area.

Q. EDP?

A. Electronic data processing. And secondly, by correspondent bank balances.

Q. And what form do these balances take?

A. Demand account balances.

Q.Do you pay interest on those demand deposits?

A. No, sir, it's against the law to pay interest on demand deposits.

Q. Do you invest these deposits?

A. Yes.

Q. How do you invest them?

[585] A. We invest them as we do in any other—any other demand deposits; in securities or loans, after reserves.

Q. How does your gross rate of return on these deposits compare—these demand deposits compare with, say, your gross rate of return on savings or time deposits?

A. Well, since we pay interest on time and saving accounts and we don't pay interest on demand deposits, I

would believe in my opinion that our rate of return would be greater on demand deposits than they would be on time deposits. Of course, you've got the cost of handling those deposits so you've got to take that into consideration too.

Q. And do you have the cost of providing the correspondent services which you also have to take into consideration.

A. Right.

Q. Well, after taking into account all these things do you find that the correspondent banking business is a profitable business?

A. We think it's profitable. We hope that it's profitable. We're doing everything we can to make it profitable.

Q. Now, in that connection, Mr. Smukler, would a bank which places between a million and a million and a half dollars a year in correspondent deposits with correspondent banks in Denver represent an important customer?

A. Yes, an important customer to us I think or for any other bank that is in the correspondent banking business. [586] Q. Do you regard the correspondent banking business as a separate phase of your bank's overall activities?

A. Yes, sir, I do.

Q. Why is that, Mr. Smukler?

A. I believe that correspondent banking differs in its content really an approach from the commercial side of banking. Correspondent banking is a specialized business and requires a specialized knowledge, and because of this we consider—and I think any bank in the correspondent business considers their correspondent banking division as a separate part of their operation.

Q. Do you know how many banks in Denver presently offer a full package of correspondent banking services to other banks in Colorado?

A. To the best of my knowledge there are six.

Q. And could you name these six?

A. The First National Bank of Denver, the United Bank, Colorado National Bank, Central Bank & Trust, American National Bank and Security National Bank.

Q. And who do you consider are your competitors in the offering of a full package of correspondent services to Colorado banks?

A. The banks that I just mentioned.

Q. Now, your bank solicits accounts in Colorado, is that correct?

[587] A. Correct.

Q. And in other states?

A. No.

Q. Why not?

A. Well, we believe that our market for banking lies in Colorado at the moment. We have defined our efforts in Colorado as relates to this activity.

* * * * *

Q. Mr. Smukler, in your solicitations in Colorado, do you find that banks other than the five which you have just mentioned as being your competitors are getting correspondent business?

A. Yes, sir.

[588] Q. You would?

A. Sure do.

Q. Would you explain the extent of that.

A. Well, not only to the banks that I consider the correspondent banks in Denver, the ones that I mentioned, out actively soliciting for correspondent banking business in Colorado, you have banks in—out-state banks located in other metropolitan areas which are providing correspondent banking services, and then there are the out-of-state banks that are constantly in Colorado. How extensive in Colorado, I don't know, but I do know they are here seeking correspondent bank business. Banks from New York, Chicago, California, Texas.

Q. In your opinion, and based upon your experience in this business, do you think that those banks to your knowledge are providing a full package of correspondent services which the Denver banks are providing?

A. To my knowledge they are not. They may be, but to my knowledge they are not.

Q. To your knowledge, Mr. Smukler, does the Federal Reserve Branch Bank here in Denver or any other financial institution offer the same package of services to Colorado banks as do the banks in Denver which you mentioned as being your correspondent competitors?

A. In my opinion, no.

[589] Q. Now, in your opinion, and based upon your years of banking experience and your knowledge of correspondent banking here in the State of Colorado, do you believe that Colorado banks need a Denver correspondent?

A. Obviously I think they do because I'm in the business

and I want them to—I want the banks in Colorado to bank with the Security National Bank inasmuch as we are capable of taking care of them and providing a service to them. So for that reason I firmly believe that the banks in Colorado should have a Denver correspondent. That doesn't necessarily mean that they can't get services other places because I'm sure that they can. But I think Denver is from a practical standpoint, for the kind of banks that the Security National Bank wants to contact under its sphere of influence and under its ability to perform, I believe that Colorado banks, because of political, economical implications, the personal relationships which I think are extremely important should bank in Denver or would want to bank in Denver.

Q. Do you have any customers outside the State of Colorado; any correspondent customers?

A. Yes, sir, we have one.

Q. Where is that located?

A. Casper, Wyoming, the Hilltop National Bank. The reason we have that, by the way—we didn't—we helped organize that bank and although we do some loan participation [590] with them we are not their primary correspondent. We have a deposit from them. We are called upon at times to help them with some things, but we don't solicit outside of Colorado.

Q. Who is their primary correspondent?

A. I don't know. I'm sure it's a bank in Casper, but I don't know which one.

Q. A bank in Casper, Wyoming?

A. Yes.

MR. MALASKY: No further questions.

CROSS-EXAMINATION

By MR. METZGER:

Q. Mr. Smukler, I think you stated at the beginning of your testimony, sir, that you intend to be active in the solicitation of commercial bank business in the immediate future, is that correct?

A. More so than we are at the present, yes, sir.

Q. And has this intention of yours been intimidated by the acquisitions that have taken place; by the United Banks and other banks in Colorado today?

A. No, sir, they have not.

Q. What factors have influenced your decision to go into correspondent banking? Do you feel this is a growing area?

A. Yes, sir. We feel that there is great opportunity in the correspondent banking field in the State of Colorado, and we feel that we can provide a very definite service and we [591] intend to offer that service.

Q. Are the number of banks available to you today larger than they would have been had you tried this ten years ago?

A. I really don't know that, sir. I don't know if numberwise—whether they are or not.

Q. Is the dollar base, to your knowledge——

A. Dollar base, I know is, but I don't know numberwise. I'm sure there are, because there have been so many more banks. But I can't equate it to acquisitions totalwise.

Q. Now, counsel referred to the question of correspondent banks services with you and suggested that these were separate services. Are there any services—any of the basic services performed by correspondents that you don't perform for yourself?

A. I guess the only service that we don't perform for ourselves that we perform for other banks is safekeeping, because we are not under the law allowed to do that for ourself.

Q. And you can safekeep with banks anywhere in Colorado or with the Federal Reserve?

A. Yes, sir.

Q. But basically the services that you perform for a correspondent are services that you perform generally, internally in your own structure?

A. Generally speaking, yes, sir.

[592] Q. To the same people?

A. Yes, sir. Well——

Q. Well, I don't mean the sales function, but I mean the functions themselves that are performed, like your Englewood bank which I believe you indicated is a competitor of the Denver banks in check clearing, that performs check clearings, does it not?

A. Yes.

Q. Where it will clear checks for any of its customers who may want that service performed?

A. Yes, sir.

Q. Anyone that has a check clearing function—you do

make your own loans? That's one of the basic businesses of a banker, is that right?

A. Yes, sir.

Q. So when you make loans for your customers, it is not important to you that those customers are banks or not?

A. Well——

Q. You're in the business of making loans, is that right?

A. I think that it's important to us. If you are referring to loan participation——

Q. I'm referring to the function of lending as a basic function of banking.

A. It is a basic function of banking.

[593] Q. And a loan participation is a—is an aspect of that function of banking; lending?

A. A matter of degree, yes.

Q. Now, data processing—I believe you said that many banks perform this service through banks or through other agencies, is that correct?

A. Yes, sir.

Q. There are other sources of data processing services in this state than banks?

A. That's correct.

Q. And they are active and aggressive competitors in this field, are they not?

A. Yes, sir, they are.

Q. In any event, this is a separately charged item, is that correct?

A. Yes, sir, it is.

Q. And the purchase and sale of federal funds—is this an area of activity where you have competition from literally from all over the country?

A. Yes, sir.

Q. And the function of safekeeping, safekeeping is performed by banks by the Federal Reserve Board, by brokerage houses——

A. Not by brokerage houses to my knowledge.

Q. I don't mean the safekeeping funds as to public funds [594] where you have escrow arrangements. I simply mean will they stockpile them for you and clip the coupons if you want that arrangement with them?

A. Yes, sir.

Q. Now, you are going out to potential correspondent purchaser of the services of your bank, and you say to them,

"I'd like you to buy as many of my services as you are willing to." Is that the essence of your position?

A. No, sir. Well, yes and no. May I answer it?

Q. Certainly.

A. We provide or when we go out to talk to a prospective bank or a bank as a prospective correspondent of ours we will tell the bank and will tell the banker to whom we are speaking what services we have to offer, the total package of services. We don't approach it on a piecemeal basis when we go out to talk to a potential correspondent bank. We don't approach it from the standpoint of "let us do your safekeeping. We don't want anything else." Or "Let us do your demand deposit accounting, but we don't want your time deposits accounting," or "We don't want your installment accounts." We're approaching this on the basis of a full package presentation.

Q. Now, suppose he says to you, "I don't want your services or anything except A and B."

A. We will take them. You bet.

Q. Now, would you charge for all your services?

[595] A. It depends on what the services are. If they are related to data processing, yes, sir.

Q. You just charge a direct charge for that?

A. Right.

Q. But when you're selling a man a portion of the services you have, you have to charge him for the services he takes, is that correct?

A. No, usually those are paid through correspondent bank balances.

Q. The balances that you asked him for?

A. Yes.

Q. Are they designed to pay for the services he takes?

A. Yes, sir.

Q. So that if he takes all of your services he must keep a larger balance with you than if he takes part of the services?

A. That's correct, sir.

Q. And you attempt to secure a balance which will compensate you as you believe adequately for the services that he does take from you?

A. Yes, sir.

Q .Now, you stated that as one just entering the business of offering correspondent services that you initially intend to limit your area of coverage to Colorado?

A. Yes, sir.

[596] Q. If you are successful, do you intend to continue to limit your services to Colorado?

A. If we have reached what we feel is the total potential that we can possibly obtain within the confines of Colorado, we probably would expand our vision and go outside of the state for business.

Q. That's because you believe that is the way you can maximize your investment in this sales opportunity?

A. Yes, sir.

Q. Now, you stated that you would only look originally to Colorado for your clientele.

A. Yes, sir.

Q. As someone who has been in the business for all the years that you have, are you aware that other Denver banks have very substantial portions of their business outside the state?

A. Yes, sir.

Q. And that they serve largely many states in the surrounding areas?

A. Yes, sir.

Q. Do you believe that their market is limited to Colorado?

MR. MALASKY: Objection, Your Honor. I don't believe the witness testified——

MR. METZGER: He qualified the witness as an expert [597] in this area very carefully, Your Honor.

THE COURT: I'll permit him to answer.

A. I really can't make a management determination for other banks that are in the correspondent bank business.

Q. From observation of where they draw their business and where they solicit it——

A. They solicit it outside the state of Colorado, but it is, I believe—I have no figures at fingertip or in my mind—but it is my belief that the majority of their correspondent bank deposits and the majority of the number of banks that they serve are probably located in Colorado.

Q. Suppose the majority of the banks that they serve were located outside Colorado and 35 percent of their business was drawn from those banks. What would you say their appropriate market would be?

A. Well, I'd say the majority of their market would be

within Colorado. They would have a substantial market outside.

Q. And that they would be serving wherever they have that substantial volume of business, is that correct?

A. Yes, sir.

Q. When you analyze a correspondent's bank account, is it true that usually you follow the same procedure you follow for any large commercial customer in analyzing the profitability of that account?

A. You're talking about demand balance versus the [598] services that we perform?

Q. Yes.

A. Not identical but——

Q. With little difference?

A. Generally speaking, yes.

Q. And you look at both of them to see whethey they're profitable to you, is that correct?

A. That's correct.

Q. Now, I don't think you testified to this but—is it your proposal that Security will seek the correspondent business of all banks in the State of Colorado initially?

A. Initially, no, sir, we will not.

Q. What is your proposal?

A. Well, I'll tell you one thing—while they are all here I've got my guys out working so I guess——

Q. Are you going to limit yourself?

A. We're going to limit ourselves to a specific—to specific groups of banks within the state.

Mr. Malasky: Your Honor, I object. I don't believe the witness should be required to tell his business plans to all his competitors. If they want to clear the courtroom, I believe that may be appropriate cross-examination.

Q. Do you feel that you're revealing anything that isn't part of your normal game plans?

A. Probably not but—we're going to limit our initial [599] activities to banks of a certain total resources size. [600] Q. Is the First National of Greeley in that group?

A. No, sir, not at the present time, they are not.

Q. And I believe you indicated on your direct examination that you compete in Colorado with anyone offering correspondent banking services in that area?

A. Yes, sir.

Q. And to your knowledge there are many banks from outside of the state that would be vigorously looking for account business here, is that correct?

A. Yes.

Q. Now, I believe you testified on your direct examination that in your judgment you should have a Denver correspondent?

A. Yes, sir.

Q. Does a Colorado bank absolutely need to have a correspondent in Denver? I do not mean with you. I am sure they need that, but with the rest of them?

A. No, they don't actually have to have one. I suppose that is just like saying you didn't absolutely have to have this trial in Denver. You could have had it in Washington, maybe. I don't know that, but it is certainly convenient for us to have it here because all the witnesses are here and all the litigants and the Judge is here.

Q. And all the riots are there?

A. Everything is here.

[601] MR. METZGER: Thank you.

THE WITNESS: Yes, sir.

REDIRECT EXAMINATION

By MR. MALASKY:

Q. Is it more convenient for banks in Colorado to have their correspondent in Denver?

A. In my opinion it is, yes, sir.

Q. Now, Mr. Smukler, I believe you stated that your bank intends to get more actively involved in the correspondent banking business. Now, as you grow, would your bank like to have the opportunity to sell these correspondent services to all banks in Colorado?

A. Yes, sir.

Q. And in this connection, Mr. Smukler, as a practical matter, do you or would you solicit banks who are subsidiaries of other holding companies?

A. Probably not.

Q. And why not?

A. Because I think that the pasture would be greener in other directions.

Q. And why is that?

A. Well, if they are part of a holding company I would assume they would want to do business with the major bank within that holding company.

Q. Pardon me?

[602] A. If they are part of a holding company, I would assume they would want to do business with the major bank within that holding company.

MR. MALASKY: No further questions.

RECROSS-EXAMINATION

By MR. METZGER:

Q. Now, that we have raised that question, you are a member of a holding company, are you not, Mr. Smukler?

A. Yes, sir.

Q. Is it not true that your organization became a holding company because it felt there were certain advantages in economies of scale and operations of a holding company?

A. Yes.

MR. MALASKY: Your Honor, I believe I raised the question with regard to correspondent banking business. I don't think it is appropriate to open up the whole range of holding companies.

THE COURT: I don't see that they opened it up by this question.

MR. METZGER: Well, counsel suggested, Your Honor——

THE COURT: I ruled in your favor.

MR. METZGER: I am getting old, Your Honor.

Q. And do you believe that the organization of these holding companies has been and will continue to be an important pro-competitive event in banking in Colorado?

[603] A. Accretion of new holding companies?

Q. New organization, and operation of holding companies that we have.

A. Yes, I do.

Q. Do you believe that the public is better served with a holding company structure than it——

THE COURT: Well, this——

Q. (Continued) ——than without?

MR. MALASKY: Your Honor, I am going to have to object.

THE COURT: Sustained. We will take a short recess, unless—do you have any more to ask him?

MR. METZGER: No, I do not.

THE COURT: All right.

(The Court recessed from 10:50 o'clock a.m. until 11:10 o'clock a.m.)

MR. MALASKY: May it please the Court, the plaintiff calls Dr. George Hall.

THE COURT: All right.

GEORGE R. HALL

called as a witness by the plaintiff, being first duly sworn, on his oath testified as follows:

THE COURT: Be seated and give us your full name, address and occupation.

THE WITNESS: George R. Hall, 1042 El Medio Place, [604] Pacific Palisades, California, Senior Economist, The Rand Corporation, Santa Monica, California.

THE COURT: What corporation?

THE WITNESS: The Rand Corporation, R-a-n-d.

DIRECT EXAMINATION

By MR. MALASKY:

* * * * *

[607] MR. MALASKY: Your Honor, that concludes my questions on qualifications of Dr. Hall and I would respectfully move that he be qualified as an expert to testify in this proceeding, if there is no objection.

THE COURT: Proceed.

Q. Dr. Hall, were you in the courtroom yesterday afternoon and this morning?

A. Yes, later afternoon.

Q. And did you hear certain witnesses testify as to their description of correspondent banking services? And what correspondent banking is?

A. Yes.

[608] Q. And do you agree with the testimony that was given by those bankers?

A. Yes, as I understand the term, it means the furnishing of services and information in return for balances from other banks and sometimes direct charges for things like data processing services.

Q. Now, based on your experience, Dr. Hall, and your work with the Federal Reserve System, do you consider correspondent banking to be a specialized service?

A. Yes, it is a specialized part of banking. It represents

providing services to a distinct group of customers, the banks, other banks. It generally requires a specialized facility to provide these services. That is of a correspondent department frequently a senior vice-president will be assigned responsibility, oftentimes will have a title such as "Correspondent Director." The demand for the services, for correspondent banking services, differs from the demands for other banking services. The payments arrangements are somewhat different. Just generally—it is generally a specialized type of activity and service. It is recognized in the field. That is, people will speak of being in the correspondent banking business. There is an annual—the "American Banker" has an annual correspondent banking issue and various special articles. There have been a lot of surveys and there is a literature on the subject that deals [609] specifically with this relationship of bank to bank.

Q. Now, Dr. Hall, why do banks offer correspondent banking services?

A. Well, it is a very profitable activity for them. They generate payment for it. They receive demand deposits which are the major input of a bank.

THE COURT: It is regarded as a distinct, so to speak, line of commerce?

THE WITNESS: Yes, sir, the deposits are shown separately on statements.

MR. MALASKY: Your Honor, I think we will try to bring that out in the course of Dr. Hall's testimony this morning.

Q. Now, Dr. Hall, from the viewpoint of the bank making use of correspondent services, are all the banks which offer such services fungible?

A. No, because the location of the bank is very important. A bank, for example, will have some demands that are highly specialized and can only be done in some one place. Foreign trade, for example, or something like that, you tend to use a bank in one of the foreign trade centers, or somebody yesterday mentioned some oil business which they did in Houston or Dallas.

THE COURT: Dallas.

THE WITNESS: Dallas, I guess it was, right. You [610] tend——

THE COURT: Old Capitol of the World.

THE WITNESS: Houston has a feeling about that, too.

Then there will be—but then these are what I would call the specialized demands, but most banks will have a demand for a daily, ordinary run-of-the-mill set of activities, for which they will use a correspondent bank, and here the question of convenience and location applies in a somewhat different way, but it is also very important.

The point is that the location of the correspondent bank you are dealing with is a very important consideration.

Q. In this connection, Dr. Hall, I would ask you to look at Plaintiff's Exhibit 187, and I would ask you if you have in your analysis for the preparation of this case examined Exhibit 187?

A. Yes, I have. I have studied this.

Mr. Malasky: Your Honor, I would at this time move Plaintiff's Exhibit 187 into evidence.

Mr. Metzger: No objection, Your Honor.

The Court: Very well, received.

(Whereupon, Plaintiff's Exhibit 187 was received in evidence.)

Q. Now, Dr. Hall, what does Plaintiff's Exhibit in Evidence 187 indicate to you?

A. It indicates to me that most—almost all, all [611] but four banks in Colorado have Denver correspondents. The figures are taken from as of June 30, 1970. They show the correspondent relationships of banks in Colorado cities of population over—well, various populations. I ran some totals on this exhibit. There are 227 banks. 223 of them have at least one Denver correspondent. 108 of the banks have correspondents in other Colorado locations and 178 have correspondents outside of Colorado. The point is that all, practically all, of Colorado banks do have at least one Denver correspondent and—but in general banks have, most—a lot of banks—well, not quite half, I see, but at least almost half of the banks have correspondents outside of Colorado, which is at least consistent with the point I was making before that—or, at least, I mean that you will have various types of correspondent business. A small bank will want somebody for specialized services in New York and they will also want a local correspondent to do its business. [612] Q. Dr. Hall, I now show you Plaintiff's Exhibit

188 and ask you if in your preparation of this case you have used this and analyzed that exhibit?

A. Yes, I have.

* * * * *

[614]

(Whereupon, Plaintiff's Exhibit 188 was received in evidence.)

Q. (By Mr. Malasky) Doctor, would you state what significance, if any, Plaintiff's Exhibit in Evidence 188 has.

[615] [A.] Yes, this exhibit shows for the years 1967 through 1970 the interbank demand deposits that is the correspondent deposits of Greeley bank.

Q. Which Greeley bank?

A. Excuse me, of the First National Bank of Greeley in the percentage of those deposits which it maintains in the large Denver correspondent. I think we can take the demand deposits as being equivalent of total interbank deposits. Very few correspondents carry deposits any other way; country correspondents.

This shows that the percentage in Denver has varied from 93.5 down to 86—it's generally been falling somewhat. But, it still keeps over as of 1970 it would still be keeping 86 percent of its demand deposits in Denver. This is from other figures I have seen on Denver banks and from the conversations I have had with Denver—or excuse me—were the figures I have seen for other Colorado banks and with conversations I have had with a few Denver bankers. This is not an unusual figure though many banks have lower figures. They vary considerably with the amount that they keep in Denver.

Q. I now show you plaintiff's Exhibit for Identification Nos. 189 and 190 and I would ask you if you have——

Mr. Metzger: Before the witness testifies as to 189 or 190, this document makes reference that the witness is [616] to testify as to proposed acquisitions which are not before this court, one of which is not a proposed acquisition. There is no contract outstanding at this time. We are entering into an area where a witness is testifying as to a theory based upon speculation as to what may or may not come to pass and that speculation as to Colorado Springs National Bank speaks more speculatively than as to the others.

Mr. Malasky: Your Honor, if I may respond—This is one

of several documents which we have prepared which go to the fact that there is indeed a trend toward vertical integration in correspondent banking business in Colorado, and the Supreme Court and lower courts have consistently held time and again that trends, past and present and future, in vertical cases, are of utmost importance. I would refer the Court to the Brown Shoe case, to the Kimberley-Clark case, the case of U. S. Steel versus Federal Trade Commission, which are all cited in our brief and which all take into account the importance of trends of acquisitions in vertical cases.

THE COURT: Well, at this stage the Colorado Springs National Bank could not be considered at all.

MR. MALASKY: There is presently pending in this court an action by the United States challenging the acquisition of the Colorado Springs National Bank by the United Bank of Denver.

[617] MR. METZGER: As to which there is no contract.

MR. MALASKY: I think we have every reason to believe unless there is some testimony to the contrary that this is an active plan of acquisition and for that reason I believe that the evidence here is highly relevant.

THE COURT: Well, there is nothing here about the Colorado Springs—oh, I see.

MR. METZGER: Your Honor, counsel has repeated again and again that the case law supports the proposition that things which have not happened, mergers which are prospective, may be considered in these actions because they have been considered in others. I challenge counsel now to produce one case which supports that proposition. We have examined all of the cases in plaintiff's brief. They relate to past transactions and how they affect trends.

MR. MALASKY: Your Honor, if I may respond, I have three cases to which I could read. In any event, if that——

THE COURT: Go ahead and read them. That's better than just talking, I think. If you've got something, why, lay it on the line.

MR. MALASKY: The first case is, of course, the—the first case that the Supreme Court decided on the issue of vertical integration of amended Section 7 which is Brown Shoe——

THE COURT: I am familiar with that.

[618] MR. MALASKY: 370 U.S. 332, the Court states, and I quote:

"Another important factor to consider is the trend toward concentration in the industry. It is true of course that the statute prohibits a given merger only if the effect of that merger may be substantially to lessen competition. But, the very wording of Section 7 requires a prognosis of the probable future effect of the merger. The existence of a trend toward vertical integration which the district court found is well substantiated by the record. Moreover, the Court found a tendency of the acquiring manufacturers to become increasingly important sources of supply for their acquired outlets. The necessary corollary of these trends is the foreclosure of independent manufacturers from markets otherwise open to them."

I would next refer to——

MR. METZGER: Your Honor, referring to that——

THE COURT: I don't see that the defendant should have to bear the burden in respect to the Colorado Springs bank situation. I mean, why didn't you bring in a lot of other banks? Why did you pick them out?

MR. MALASKY: These are the acquisitions by major Denver-based correspondents which are presently proposed in the State of Colorado.

[619] THE COURT: Well, you have listed the First National Bank of Greeley, Security of Sterling, National State Bank of Boulder. But why do you put the Colorado Springs National Bank into that?

MR. MALASKY: Of course, all of these have been proposed to the Federal Reserve Board. But, it is not only—— The cases hold that it is not only the acquisition by the particular defendant at hand that is crucial in assessing the trends toward vertical integration industry but it is the overall industry structure and overall industry trend towards vertical integration.

In that regard I would refer the Court to the case of United Stated States Steel Corporation versus F.T.C. which is found at 426 Fed 2d 592. It's a 1970 decision of the Sixth Circuit. This case says, and I quote at Page 602,

"One of the purposes of Section 7 is to reverse the trends toward concentration in American industry. Thus an acquisition which may be viewed as a part of an industrywide trend toward vertical integration may

be considered particularly obnoxious to Section 7." And skipping about two lines—"The evidence reveals widescale national and urban trends toward vertical integration and concentration in the cement and concrete industries," which were the relevant lines of commerce there—"since 1958. Cement companies in the NYMA," [620] which I believe is New York Metropolitan Area, "have been seeking short outlets for their products by requiring the . . . among other factors, the commission's response to these pressures to vertically integrate has resulted in the divestiture of the acquisition of the fourth, fifth and sixth largest readymix companies."

This is part of the response that the commission also attacks the instant acquisition——

THE COURT: Your evidence relative to correspondent banks so far has tended to show that one small community bank tends to latch on to one Denver bank that will furnish them with services. Once they make this commitment I don't think they intend to change very often. And I don't really know that—in other words, it's somewhat self-defeating, the evidence that you have offered, and I don't know whether it's going to have any tendency to diminish competition or not. But, since it may—you may be able to show something. I mean, acquisition trend in this area.

What more do you——

He has suggested that this is just the first of a deluge of material.

MR. MALASKY: This is not a deluge, Your Honor.

THE COURT: That if we let the door open just a crack you will push through with a whole flood. That we will be inundated with paper.

[621] MR. MALASKY: My documents are very—there is about 25 of them.

THE COURT: Why don't we view them right now then as a whole. I mean, so we will see what part this has in your total presentation.

MR. MALASKY: May I just add one more point. You asked what effect and you mentioned, I believe—I believe you stated that other banks once they are acquired wouldn't the whole purpose of vertical—the whole theory and the whole reality of vertical integration—The courts have consistently held that the primary vice of vertical integra-

tion is foreclosure to other suppliers of a service—of significant customers of that service. And as more I think the evidence will show as an offer of proof I state now that the evidence will show that as this vertical foreclosure trend continues there will be less and less banks customers for these services from the six Denver banks available not—to not only them but to whatever future banks may want or other new banks want to enter into the correspondent services. This is the reason that the courts have held that the trend is so important.

It is the foreclosure of independent sources of business to people supplying these services.

THE COURT: I'm convinced that you're convinced. Why don't you show me the papers, please. I'll check them out.

[622] He has just handed me 191 through 220. Are you familiar with these?

MR. METZGER: I am, Your Honor. All of these documents are predicated upon the completion of each of the proposed acquisitions and as the Court indicated we are to bear the burden of all that may well be. The burden of Christmases yet to come.

MR. MALASKY: I would note, Your Honor, that in many of these it is possible to consider each one individually, and many of them, each one is listed separately so that they are not all in one mass that you can't segregate them out. But, I would say that the——

THE COURT: Well, this line of exhibits all pertain to correspondent banking?

MR. MALASKY: Yes, sir, they do. They all pertain to the vertical integration aspects of which we find in the correspondent banking market which we have alleged.

THE COURT: You're offering these only to show that this is part of a general plan or a general trend?

MR. MALASKY: Your Honor, we're offering them to show what the structure of correspondent banking services—the full range of correspondent banking services in Colorado; to show the effect of this acquisition in itself and viewed in light of other acquisitions in the past and present trends toward vertical integration and in that respect I believe [623] that they are extremely relevant to the issues presented here.

THE COURT: Well, I take it that you're offering it for

more than a general plan, from what you said. You're not simply offering this to show that there is a plan or trend in order to shed light on the nature and character of the Greeley acquisition.

MR. MALASKY: Your Honor, we believe that in this context, in the correspondent banking phase of our case, the market involved is the State of Colorado. It is not limited to Greeley or the Greeley area in this phase of the case.

THE COURT: Then the objection will be sustained. Because we planned to try this case on a local basis, throughout, and I am not going to shift gears. I think you're shifting gears. From commercial banking to correspondent banking. Mr. Schoepke told me that the main emphasis of this case was commercial banking, and I am not going to try a statewide conspiracy case and condemn and prejudge the other cases that are filed, that are not before me. And, so, you're just going to have to change your tack or I'm not going to consider this other matter.

MR. MALASKY: Your Honor, we did amend our complaint as you recall to include the correspondent banking aspect.

THE COURT: This is not going to skirt the earlier ruling that we would not consolidate these cases for trial.

MR. MALASKY: Well, Your Honor, in view of the—[624] and in view of the fact that the vertical cases have time and again emphasized the importance of industry structure and the trends toward acquisitions and since the market we allege——

THE COURT: I told you that I might consider hearing this if it is offered for a limited purpose, namely, to show a general plan and as bearing some light with respect to the case at bar, that's all.

Now, if you want to try this whole case in one lump sum, I'm not going to do it, that's all. That's my ruling. And, that's what you have represented to me, and I am not going to do it. I have ruled in pretrial matters that we're going to try these things separately, and give everybody an opportunity to fairly present his particular issues, whereby he will not be burdened with collateral relationships and transactions.

And, this is as I understood was the understanding, you know. I'm not going on what the exhibit looks like. I'm going on what you're telling me. You just want to expand the scope of this prosecution.

[625] MR. MALASKY: Your Honor, I respectfully ask the

Court to consider the fact that in antitrust cases we are not confined to one line of commerce. There are——

THE COURT: Oh, I understand that.

MR. MALASKY: Commercial banking is one line of commerce.

THE COURT: You and I are not communicating. I understood that. I understood that. There is no problem on that score. Don't you understand what I am saying to you as to why I do not feel that we should try the state as a whole at this time, whereby we will be pre-judging the cases on file?

MR. MALASKY: Your Honor, may we have a break for lunch perhaps?

THE COURT: It is a little too early.

MR. MALASKY: Okay. Well, may I continue——

THE COURT: If you will just change your tack and offer them for the purpose that I think they are relevant, I will tell you what, I will just receive them on a limited purpose.

MR. MALASKY: Well, may we have Dr. Hall testify as to——

THE COURT: I will just receive these documents for the purpose, as you suggested in one part of your speech, as showing that a trend exists, but only as it tends to shed [626] some light and give some indications as to the transaction at bar. That's all.

MR. MALASKY: I am very sorry, Your Honor. That is precisely—perhaps we were not communicating and perhaps it is my fault. It is clearly for the purposes of showing the effects of this acquisition. I am not going to make any attempt to try these other cases. It is purely as it relates to this acquisition.

THE COURT: Well, that's what you told me.

MR. MALASKY: Well, I apologize if I misspoke, but that is the purpose and we feel that in viewing this acquisition the Court should take notice of the trend that exists and for that reason we offer these documents.

THE COURT: Well, I still want to pass on these particular questions in each instance, because, as I say, I don't want to get in a position of holding or making a finding or determination with respect to any one of these pending cases.

MR. MALASKY: I assure the Court that we are not asking

for—this does relate to the Greeley acquisition. That is the case at bar. That is the case that we are dealing with here and we feel that the Greeley acquisition in and of itself is a violation. We are not in this proceeding, of course, asking the Court to make a determination as to the legality or illegality of the other acquisitions which [627] are presently pending.

MR. METZGER: May I ask the Court then to——

THE COURT: And also you have got this problem of the acquisitions being in a state of flux at this point, too, you know, and so it narrows it even more.

MR. MALASKY: Perhaps it would go to the weight the Court would want to ascribe to the exhibits rather than their admissibility.

THE COURT: Because intention is not an element or a motive. You don't have to prove that there is an intent here, do you?

MR. MALASKY: Your Honor, the Brown Shoe case does mention purpose as one of the factors in considering a vertical—in consideration of a vertical foreclosure case. I believe it is one of the six factors that the Court in Brown and I would say the Court in the U.S. Steel case——

THE COURT: Your brief, I don't know who prepared it, cites cases to the effect that knowledge and intent is no element of this kind of a——

MR. MALASKY: It is not really intent. It is economic——

THE COURT: Isn't that correct?

MR. MALASKY: It is economic purpose, Your Honor.

THE COURT: You cite a whole line to that effect.

[628] MR. MALASKY: I believe it is economic purpose, and one of the economic purposes is that the effect will be to foreclose competitors, actual and potential, into obtaining business of correspondent banking customers. The Brown Shoe case made that clear, and as I said—I believe it is the——

THE COURT: Well, just bear in mind that I am not going to try these individual cases in any depth. Just bear that in mind.

MR. MALASKY: I will, Your Honor.

* * * * *

[629] Q. I sort of forgot where we are. I believe we were referring to Exhibit 190 and Exhibit 189 when we left off,

and I wonder if you would explain what these exhibits indicate to you?

A. Yes, these tables, these two tables, are the same except for the dates. Plaintiff's Exhibit 189 deals with the situation as of December 31, 1969. Exhibit 190 deals with the demand deposits as of August 31, 1970. They show four banks, two of which First National Bancorporation has received Federal Reserve Board approval to acquire, one where its application awaits approval, and one bank where United Bank of Colorado had received Federal Reserve Board approval. It shows that these banks generally maintain fairly large percentages of the demand deposits with six Denver correspondents. It fluctuates a little bit. For example, Colorado Springs National Bank, the percentage fell from 76 percent in December 31, 1969, to 35 percent in August 31, 1970. The other banks remained roughly equivalent figures, all about 75 percent.

Q. And, Dr. Hall, do you draw any conclusions from Plaintiff's Exhibits in Evidence 189 and 190?

A. Well, I think this—yes, I do. I think these two exhibits reinforce the picture that was given by the previous exhibit of the fact that banks such as the First National Bank of Greeley tend to carry a lot of their [630] correspondent demand deposits in Denver, with the six Denver correspondents.

Q. Would the percentage as carried in Denver reflect the day-to-day or full services of——

A. Well, I think—yes, I think this reflects the fact that a bank is going to have a lot more demands for daily types of services, the routine kinds of business, than it does—which it would tend to do at some nearby area, some nearby trade center, than it would for the specialized services such as some kind of foreign exchange transaction or something like that for the kinds of country banks in Colorado—that is, banks which are not major metropolitan units operating in a national financial market.

Q. Now, Dr. Hall, I show you Plaintiff's Exhibit 191 in evidence and I would ask if you would describe the significance if any of that exhibit?

A. Yes, sir, these are figures for the First National Bank of Greeley. They show the number and dollar amount of loan participations of Greeley. They show the number and dollar amount of loan participations sold to Denver

and non-Denver banks. That is, we are dealing here not with the deposit side but with the loan side. These are for the years '67, '68, '69 and part of 1970. They show that most of the—the dollar amount of participations, which would be the third column from the—dollar amount of participations [631] to Denver banks, third column from the right, that most of their loan business is done in Denver. One year, 100 percent. In 1970, which was the lowest year, 70 percent. In one way you would expect the loan business to be a little less concentrated in Denver than the deposit business, because participations are a kind of business which it is easier to do outside the major center, as the previous witnesses have testified to. They tend to do more—they tend to do more participations in various places around the area or even nationally. However, Greeley, these figures indicate, also does most of its loan participation business in Denver.

Q. What do you mean by loan participations?

A. Loan participations can come—comes about when two banks jointly participate in meeting the credit needs of some single customer. This request can take several forms. The previous witnesses spoke, for example, of overlines, the kind of loan which is made when a customer's credit request exceeds the lending limit of the bank and a correspondent will pick up the amount above the lending limit.

You will also get participations sometimes where several banks will participate on a pool basis in a single loan, even though it might not be overlines. One of the witnesses—I don't remember who—spoke of the fact that [632] they, with their correspondent participated both ways. That is, their correspondent picked up some participations in theirs, but also at times when they had funds that they needed to apply in investments they obtained participations from their correspondent. Participation is simply a general term which covers two banks, two or more banks, jointly involved in a single credit transaction. For the country banks—the country bank, by the way, is a term of art. It doesn't necessarily mean a bank out in the hamlet. It is simply a bank which is not one of the banks in the major metropolitan region. When I say country, it may be a pretty large city. It comes from some old Federal Reserve terminology back when you had Reserve cities or banks that had different kinds of Reserve requirements. But most of

the country banks or the heaviest—the most important type participation in general I think is overline loans.

Q. Dr. Hall, I believe you referred a few moments ago to a suburban Los Angeles bank or something like that. In your opinion, could a suburban Los Angeles bank, for example, have correspondents in both Los Angeles and, say, Denver or Atlanta or New York?

A. Well, yes. This goes to the point of the fact that the demand for banking services, for correspondent banking services, will tend to be geographic, specific——

THE COURT: Well, wherever they need them.

[633] THE WITNESS: They need them where they need them. It is not one—you will tend to maintain a variety of—a bank will likely have a variety of correspondent relationships.

Q. Will they perform the same functions?

A. No, generally not. They will generally have, as the previous witnesses have testified to, they generally have a prime or primary correspondent who handles the day-to-day business. They generally have a variety of other correspondents. Also, I think, or at least my understanding from talking to bankers, is that some of them like to have some reserve or some—excuse me—some correspondent relationships that they can swing to if they get dissatisfied with their prime correspondent, that they enjoy having somebody with whom they have at least a partial relationship that they can move in.

Q. Dr. Hall, I would refer you at this time to Plaintiff's Exhibit in Evidence Number 29, and ask you what relation that has, if any, to what you have just testified to?

A. Plaintiff's Exhibit 29 is Interrogatory 25, which shows the correspondent banking relationships of the First National Bank of Greeley for a period of running between the 1st of January, 1967, to August 31, 1970.

THE COURT: What number is that now?

[634] THE WITNESS: This is Plaintiff's Exhibit 29.

THE COURT: Oh.

THE WITNESS: Interrogatory 25.

MR. MALASKY: That has been received in evidence, Your Honor. All right.

A. (Continued) I find it hard just to interpret this in terms of the figures, so I ran percentages on it, and it shows

a very interesting—both the totals and the trends are rather interesting to me. In its prime Denver correspondent, which was the Colorado National Bank up until 1968, and after that the First National Bank of Denver, the First National Bank of Greeley kept in—the 1st of January, '67, it had 80 percent of its deposits. At the end of '67 it had gone up to around 90 percent and the end of '68 it had dropped to about 80, and then in the midyear of '67—excuse me—at the end of 1969, it had dropped down to 58 percent and in the end of 1970 it had dropped to 70 percent. However, most of——

MR. METZGER: Just for the record, do you want to correct that last percentage?

THE WITNESS: Excuse me, 69.7 percent.

MR. METZGER: No, try again.

THE WITNESS: Would you care to suggest a number?

MR. METZGER: 25 or 30 percent, just on a quick eyeball.

[635] A. (Continued) What I said, in the prime correspondent, their largest Denver correspondent, the total of the two Denver—the total of their—all of their Denver correspondent balances, which would include the three Denver banks in which they keep as correspondents is somewhat more stable. It starts off at 91 percent and up a little bit to about 93, 94, dropped back to 90 and went to 88 and in the last of '70 it went to 86 percent. The converse of that is that their use of non-Denver correspondents went up from a little less than nine percent to about 14 percent. They are using—over the picture, their total picture, their total use of correspondents, the mix shifted towards the non-Denver correspondents. However, they still use Denver correspondents for 86 percent of their business and they used a prime correspondent for, well, roughly 70 percent. There was one—well, that's—excuse me, I think that's what I have.

Q. Now, Dr. Hall, referring to Plaintiff's Exhibit in Evidence 29, where did First National Bank of Greeley maintain the largest amount of their correspondent deposits at the——

A. Well, I just said, according to this exhibit, they had their largest amount in the Colorado National Bank up until sometime in 1969 when the major—the bulk of their business shifted to the First National Bank of Denver, though [636] they still continued to keep a fair proportion

of business in the Colorado National Bank. However, that declined by 50 percent in 1970. They appear to be—the picture you get from here is that they are moving their——

MR. METZGER: Objection, Your Honor. The witness is testifying as to speculation, but not only speculation but he is wrong on his speculation.

THE COURT: Well, I suppose he can testify as to what transpired, can't he?

MR. METZGER: No, Your Honor, he is testifying that the First National Bank of Greeley is moving its relationship. In point of fact, it was the Colorado National that moved its relationship, but in any event the witness was speculating as to who was doing what.

THE COURT: Well, the numbers changed.

THE WITNESS: The numbers changed so that——

THE COURT: Well, we will let that stand, and there is a sharp change in the numbers, apparently.

THE WITNESS: There was a sharp change in the numbers from '68 to '69, and a lesser change in the numbers from '69 to '70, but still there appears to be a downward trend in utilization by Greeley, for whatever reasons, of the Colorado National Bank in Denver.

THE COURT: I think that's perfectly admissible, to show that there were some changes made.

[637] MR. METZGER: Your Honor, the witness's testimoney implied that the First National Bank of Greeley had reduced its balances with the Colorado National Bank.

THE COURT: Because of the acquisition.

MR. METZGER: It was speculation on the witness's part and it was untrue.

THE COURT: Well, we ruled out that part of it.

MR. METZGER: All right, Your Honor.

THE COURT: It is open to inference, I suppose, so undoubtedly you will want to explain it at some time when you offer evidence.

MR. METZGER: Yes, Your Honor, we do.

THE COURT: All right.

Q. Dr. Hall, based—I'm sorry.

A. Excuse me. Could I continue?

Q. Yes.

A. Continue with Interrogatory 25, because I find Pages 2 and 3 to be very helpful with respect to this point of the

kind of daily demands or the full package of services and the specialized services. The second and third pages show the services which the First National Bank of Greeley obtained from each of its correspondent banks during——

[638] THE COURT: Which number is that one, now?

THE WITNESS: We're still on PX 29, Plaintiff's Exhibit 29, Pages 2 and 3. This is Interrogatory 25. And it shows that for the Colorado National Bank of Denver and in 1966 and '67, and in the First National Bank of Denver, 1969 and 1970, that they utilized a wide range of services including loan overlines, wire transfer services, Bankamericard services, payroll services and so on for their other banks. They tended to use these for, oh, two or three services.

Harris Trust, for example, they used—started using it for investment counseling; some bank drafts. Denver U. S. National, they used that for federal funds and also bank drafts. First National Bank of Omaha is loan overlines as is the First National Bank of Chicago, loan overlines. Wells Fargo Bank, they are using now for overlines, bank drafts and for their other correspondent banks, again, bank drafts and also the business referrals.

So what you get—the picture that emerges from this is that they use a number of banks for loan overlines and for some other specialized services such as business referrals and—or trust investment counseling, and then they rely on their prime Denver bank for a wide range of services.

Q. Turning to a slightly different subject, Dr. Hall. Are correspondent banking services distinguishable from other banking services?

[639] Yes, they are. They have a whole different demand and supply pattern needs. Not every bank provides the kind of tailormade services that this sort of full-range of pattern of services is. The kinds of bank demands are different from the other types of demands levied on banks. There is as I said—specialized—there is a specialized set of arrangements here that are used to provide these kinds of services.

Q. Are there any reasonable substitutes for this full package of services?

A. Not for the full package. For various individual kinds of services, yes. I tend to use a four-way classification of correspondent services when I'm thinking of it. First, you have got check clearing. Almost every correspondent

loes and almost every country bank uses a correspondent for check clearing. It was very surprising to me, the fact that—this dominance of use of correspondent banking for clearing—check clearing services.

And as we have heard, I guess you can use the Fed for that, although almost no—or the banks below 100,000—it's relatively few of them do even this, though they may be Federal Reserve members. The reason as near as I can determine from my thinking is that the federal simply——

• • • • •

[640] THE COURT: Well, it is a fact, I guess, that the Federal Reserve Bank is not used as a check collection or clearance?

THE WITNESS: Yes.

• • • • •

[641]

VOIR DIRE EXAMINATION

By MR. METZGER:

Q. How many banks in the State of Colorado perform what portion of their check clearings with the Federal Reserve Bank in Denver?

A. Direct with the Federal Reserve Bank? Or through ——

Q. Yes.

A. ——through a correspondent?

I can't answer that question for the State of Colorado. I have studied the survey which was done by the Federal Reserve Bank of Kansas City for all of the Tenth Federal Reserve [642] District plus some other states which are adjacent to the Tenth Federal Reserve District which does include Colorado. So I can't speak for Colorado. The number I can cite to you for this is only—of course doesn't involve Colorado. It involves a much wider and very general area that includes a lot of different states.

• • • • •

MR. METZGER: Yes, Your Honor. He's testifying as to the reasons why the Fed does or does not have a substantial portion of the business without even knowing what [643] proportion of the business the Fed has. The clearest speculation.

THE COURT: How much do they have?

MR. METZGER: I don't know. This is a question I have no—I do know in checking this out, Your Honor, that most banks in Denver clear at least part of their items through the Federal Reserve Board.

THE COURT: I have no doubt they do.

MR. METZGER: And many of them clear them all. I don't know what those proportions are.

THE COURT: There are probably certain types of items.

THE WITNESS: Might I clarify the question. I specifically said I was talking about banks under 100 million in deposits; large banks do. In fact, all checks ultimately get cleared through the Fed. The question is which clear direct with the Federal Reserve as opposed to those who clear at large. The local branch of the Federal Reserve Bank is a member of the clearing house in Denver so Denver banks which are members of the clearing house would naturally clear that way and, of course, all large Denver banks will tend to clear through. My only—my remarks were not in those contexts—not in this context specifically related to Colorado. They were applied generally to smaller banks, that is, banks under 50 million in deposits or a hundred million in deposits [644] throughout the country generally. And the judgment I have reached on the information that I have obtained—it appears to be that the Federal Reserve Banks are just not very service oriented. The Federal Reserve is not known for its great outgoing service.

MR. METZGER: Objection, Your Honor. This is precisely the line of inquiry that was objected to.

THE COURT: Overruled.

THE WITNESS: But I would point out—and the point though that I was trying to make was that a bank can clear through the Federal Reserve should it care to do so. But that many banks choose not to do so. To me, a surprising number of banks chose not to do so.

THE COURT: All he's saying is that the private industry is to be preferred. This diabolical socialism doesn't give off these services.

THE WITNESS: I was trying—yes, that's exactly what I was saying.

* * * * *

[646] Q. Dr. Hall, how are correspondent banking services sold?

A. Well, they are sold as a package in the sense that, as was explained this morning, really, banks offer a broad,

full range of services, and country banks take what services they want and make use generally from their prime correspondent of a wide range of services in return for which they maintain demand deposits. Sometimes there are a few direct fees. [647] These demands are now—within the last few years, banks have been requesting demand balances, using some fairly rigorous analysis. Until, oh, I don't know, ten years ago, perhaps, it was more implicit analysis.

THE COURT: Well, what's the basis for the competition? Better services?

THE WITNESS: Better services, yes, is mostly the competition, and there is some—with this analysis, it is kind of what items they put in the analysis, how much they let them run over. There seems to be some kind of implicit price competition. The analysis—this is a peculiar pricing arrangement, this business of maintaining demand deposits, but then trying to sort of analyze why, what the level should be, and there have been a lot of surveys of bankers saying, "Wouldn't it be better if you priced per service, you have services charges?" And almost unanimous the answer—the bankers come back and say, no, they like this present service, and apparently the reason is that there is a lot of common elements in it. The country bank may carry—if he is a state bank, he would probably be using these correspondent balances as part of his reserves. Even if he is a national bank and has to carry reserves at the Federal Reserve, he may be using these as secondary reserves or liquidity functions. Also, they believe—and he will be using—it also compensates the bank and provides him the sort of working arrangement for [648] check clearing—in other words, it performs two or three functions for the country bank frequently and he doesn't know how to sort of split these out in terms of figuring exactly what it is worth.

[649] MR. METZGER: Your Honor, may I object to this continuing line of answers as being unsupported by any kind of foundation. It is apparently hearsay as to what the country banks do and do not do. And, what charges the city banks do and do not offer. I don't think the witness can testify as to what country banks think or city banks think.

THE COURT: Well, okay. I asked him what the basis of the competition was, that's all. And since there is not—I expect that there would be different requirements as to the

amount of deposit in order to give the whole range of services in different banks.

Is that right?

THE WITNESS: There is some, apparently.

THE COURT: But otherwise I expect it would be purely a matter of personal equations.

THE WITNESS: It appears from the surveys that have been done on this matter, it does appear that the—that the main competition is a service competition.

MR. METZGER: Objection, Your Honor. There is no such —before the witness testifies I would like——

THE COURT: How do they compete, do you maintain?

MR. METZGER: They compete on price, quality, service and continued sweat.

THE COURT: Well, that's about the same thing, I expect. I don't know why you should object. He agrees.

[650] THE WITNESS: Yes, I will——

THE COURT: Go ahead.

Q. (By Mr. Malasky) Well, Dr. Hall, in this connection I will show you Plaintiff's Exhibit in Evidence 192.

A. This states that it is a——

Q. Would you please explain what that is?

A. Well, it has the letterhead of the First National Bank of Denver. It states that it is an account analysis for the month of—to be filled in with the account number and the account—the name—It gives an earnings allowance and an implicit interest charge for the balance that the bank maintains and then it figures the various kinds of expense items. It figures the difference—whether this is a profitable account for the bank or a nonprofitable account. I would add that there is a problem.

The literature on correspondent banking speaks of the fact that it is very hard to allocate the activity of the bank to the individual accounts in the sense that there is a lot of joint or common elements involved and so these kinds of accounts—expense accounts are sort of worked by various kinds of rules of thumb and things like that—to give them sort of an overall picture. It's not really as I understand the matter, it's a management tool rather than—more than anything else.

Q. Well, now is this pricing arrangement—does it [651] —does this pricing arrangement have anything to do with the idea of the cluster or package?

A. Right. As I mentioned, the common elements are joint elements which are involved in the fact that you maintain a continuing relationship, is the reason for this.

Q. Now, Dr. Hall, based upon your experience, your studies of correspondent banking, your preparation for the trial today, the testimony today, and your listening to the various witnesses who have testified thus far, is it your opinion—or, would you state whether or not it is your opinion that the package of correspondent banking services presently offered by six correspondent banks in Denver constitutes an appropriate product market or line of commerce in which to measure the competitive effects of the proposed acquisition?

A. Yes, I think that the full package of services is the appropriate line of commerce.

Q. Now, Dr. Hall, does correspondent banking have an important economic function?

A. Yes, it's in a country which has a lot of banks—small banks which are either unit banks or small holding companies or small branch bank systems. The fact that these banks can obtain access to the facilities of large banks, facilities where there are economies of scale are important for making the system work.

Q. If these services aren't available, what happens?

[652] A. Either you have to produce them in house or degrade the product and producing them would be quite expensive.

Q. In your opinion, what determines a—the attractiveness of using correspondent services rather than doing this function, as you put, it "in house."

A. I think the services which are being offered, how good the services are, how good the prices are, and as Mr. Metzger said, how much sweat, product and price competition there is make a lot of difference. The more attractive the product being offered, the less attractive it is to produce it yourself.

* * * * *

[654] Q. Now, Dr. Hall, I would—I show you plaintiff's Exhibit in Evidence No. 201. What significance, if any, do you draw from Plaintiff's Exhibit in Evidence 201?

A. This shows as of the end of 1969 the percentage of the total deposits that six Denver banks obtained from other banks and it shows the deposits they obtained from Colorado

also a percentage of the total deposits, in the two columns. [655] Q. When you speak of total deposits, what do you refer to?

A. Total demand deposits.

Q. Total——

A. Excuse me, these are interbank demand deposits, the total.

Q. The second column—would you read the top of the first column and then the top of the second column?

A. "Total Deposits," and then "Total Interbank Demand Deposits From All U.S. Banks."

Q. So then the first column is the total deposits?

A. In that bank, yes, and the second column shows the amount of correspondent deposits. For First National Bank of Denver, for example, 13.3 percent. They received $46 million in interbank deposits from Colorado banks for a total of 9.2 percent. In other words, a little better than nine percent came from Colorado banks and a little better than 13 came from all banks taken together.

The First National appears to be slightly more Colorado oriented than the average taken together for the total of six Denver correspondent banks, the total of their—their average of their deposits from Colorado banks was seven and a half percent. The average from all banks was 12.7 percent. A sizable percentage of their deposits are interbank deposits and Colorado accounts for the lion's share [656] of those.

Q. Is there anything you can draw from the fact that that percentage of their total deposits is represented by interbank demand balances?

A. Well, it is a very important source, and since it is an important source of their deposits and deposits are the lifeblood of a bank, it is important. It is important to them.

Q. Now, Dr. Hall, I direct your attention to your earlier statement that location is an important attribute of services rendered by correspondent banks. I believe the term you used was that the demand was geographically specific. Could you elaborate on this point?

A. Well, yes, I would expect the correspondent banks in Denver to have accounts from banks all over the country who had representation locally, who had certain types of business to be done in Denver. I would expect you would have a great many accounts from banks throughout the mountain states, but then you are going to have a lot of—

as we saw from one of the earlier exhibits, almost every bank, all but four banks, in Colorado will have accounts in Denver, that these are for really different purposes. One is for national purpose and the other is for daily purpose.

Q. Well, does the fact that Colorado banks, the testimony has indicated, seek Denver correspondents to the extent that [657] they do have anything to do with your evaluation of an appropriate geographic market in this case?

A. Yes, I have considered the appropriate geographic market and it seems to me that an appropriate market is Colorado, the State of Colorado.

Q. And for what services?

A. For the full package of correspondent services. It is a different—for that product—for the product market or for the line of commerce, full package correspondent services, Colorado is the appropriate geographic market, an appropriate geographic market.

Q. Are there any other reasons which make Colorado a proper geographic market in which to assess the effects of this acquisition, proposed acquisition, on correspondent banking?

A. Well, I think you have to look at the—at a market as an integrated system of where suppliers sell and buyers buy. You have to look at both sides of the market. I guess the economics theory textbooks talk about a market as a locus of the supply and demand forces, but when you go to the empirical—really the empirical problem of identifying a market, you have to look for some kind of integrated set of activities, and I think what's very important here is you have to look at both sides of the market. You have to not only look at where the sellers, [658] say the six large Denver banks are trying to sell, but you also have to look at where people are going to buy and what they are buying, and as I said, there are—trying to identify these interactions, these integrations, it seems to me both economic and political factors tend to make Denver—excuse me—make Colorado the market for the Denver-based full package correspondent services.

Q. All right. Now, Dr. Hall, I would show you Plaintiff's Exhibits in Evidence 202 and 203, and would you describe——

THE COURT: Then you are saying then that the whole State of Colorado is a relevant geographic——

THE WITNESS: It is a relevant geographic market.

THE COURT: The relevant?

THE WITNESS: A relevant, I think. The most relevant. It is the one, I think, is the one for assessing, but there are some other——

THE COURT: So then the adverse effect on competition of this particular acquisition has to be weighed in terms of the whole State of Colorado?

THE WITNESS: I believe so, Your Honor.

THE COURT: Well, this wouldn't cause a ripple as far as the condition in the state is concerned, would it?

THE WITNESS: Well, I think it would, sir. I——

[659] THE COURT: I would sure be interested in having your explanation as to how it would.

MR. MALASKY: Your Honor, I think we are talking, of course, about the correspondent banking line of commerce.

THE COURT: I am asking him, if you don't mind, but you can— I know what you are talking about.

THE WITNESS: Well, I think it——

THE COURT: I mean we only have to consider the effects of the acquisition in question here, do we not?

THE WITNESS: Yes, sir.

THE COURT: In other words, in and of itself, it is going to have a consequence itself that is substantial?

THE WITNESS: That's right. I think, however, that the consequence of the Greeley merger, the amount, the impact, the quantitative impact of the Greeley merger,——

THE COURT: The trauma?

THE WITNESS: What?

THE COURT: The trauma?

THE WITNESS: I wouldn't go so far as to say trauma.

THE COURT: I haven't heard any explosions, really.

THE WITNESS: Well, the quantitative impact of the Greeley merger, I think, has to be taken in the context of the changes which are going on in the structure of the market for correspondent banking services in Colorado, and [660] I think——

THE COURT: Well, true, but——

THE WITNESS: Yes.

THE COURT: We still have to weigh it against the individually——

THE WITNESS: That's right.

THE COURT: And you can't throw any other things in the scale here when we are judging this question.

THE WITNESS: No, you are quite—yes, it has to stand——

THE COURT: We can look at it against the framework or against the—it may give us some perspective, but it won't help the weight of it any. It won't give it any more explosive power.

THE WITNESS: Well, I think the issue here is the——

THE COURT: You tell me.

THE WITNESS: ——is the effect. Well, I am—in a vertical acquisition, I think you have to take a look at how important this foreclosure is compared with, viewed in the context of the whole market, of the whole structure in the market.

THE COURT: Check.

THE WITNESS: Right. I think also, too, you are going to have to look at what are going to be the likely reactions of other bankers to this kind of thing happening [661] and what are the alternatives that are available. In other words, I think that you have to try—the question is is this foreclosure a matter of great importance considering the other alternatives and considering what are the likely reactions to it, for example——

THE COURT: Well, for example, will it change the relationships of other country banks towards the First National Bank of Denver?

THE WITNESS: I think that it removes——

THE COURT: Will it close the doors to some of them?

THE WITNESS: What? The other country banks?

THE COURT: Yes.

THE WITNESS: To getting access to the bank? No, I am not really concerned about that relationship.

THE COURT: What's the practical effect?

THE WITNESS: I think the real question is——

THE COURT: What's the practical effect?

THE WITNESS: What is the practical effect?

THE COURT: Yes, something we can notice.

THE WITNESS: Okay. The practical effect is that here is a very attractive correspondent account for correspondent banking services. If this account and similar accounts like it pass from the open sector of the market for correspondent accounts to the closed sector, that is, they [662] become captive accounts, the attractiveness of correspondent banking goes down. The attractiveness of this to entry of new banks, large banks offering correspondent banking services, goes down. The attractiveness of competing in this market for large accounts by large banks goes down.

THE COURT: You mean as a result of this one——

THE WITNESS: As a result of the one taken in context with what else is happening in the market and with the other acquisitions that have occurred or are in the process. [663] THE COURT: Assuming we can weigh those with this?

THE WITNESS: Right, assuming you can——

THE COURT: If it stands alone, why, your answer would be a little different, I guess.

THE WITNESS: Well, if you stand alone, I think it is, you know, an amount. You have to—well, there is, I guess, an old joke in the trade——

THE COURT: Well, I mean as far as the merits of this case are concerned.

THE WITNESS: There is a joke in the literature on vertical invasion about the fact that an inch makes a lot of difference whether it is on the end of your foot or the end of your nose, but I think it is an inch——

THE COURT: Well, I have heard the joke before, but it doesn't really shed much light on this question, but we are dealing here with a specific and necessary—have you read the complaint?

THE WITNESS: Yes, sir, I am aware of it. I understand Your Honor's question. There are some later exhibits that I think will provide the numbers that will serve as the basis for discussing the issue perhaps a little more precisely. If I could defer until that point——

THE COURT: Well, you can do anything you like. I just wanted you to point out some practical consequences [664] in terms of the matters that are charged in this complaint, that's all.

THE WITNESS: Right.

THE COURT: I haven't heard them yet.

THE WITNESS: Well——

MR. MALASKY: Your Honor, we will proceed, I think, to that point in just a few minutes if——

MR. WILLIAMSON: He was about to say something, weren't you?

MR. MALASKY: Go ahead.

THE WITNESS: No.

THE COURT: Okay.

Q. Dr. Hall, you have Plaintiff's Exhibits 202 and 203?
A. Yes.

Q. Would you please describe to the Court what these exhibits show?

A. Well, they show for the—they are exhibits for two different dates, one for December 31, 1969. That's PX-202. And one for August 31, 1970. That's PX-203. They show for the six Denver banks offering correspondent services the amount of their deposits, which represent demand deposits from Colorado banks and demand deposits from banks outside of Colorado. Over an average, using the figures for December 31, 1969, PX-202, the Denver banks had about 60 percent of their deposits from—came from interbank [665] deposits, came from other Colorado banks, about 40 percent from outside Colorado. First National Bank of Denver was a bit higher, 70—69 and 31—figures for—excuse me.

[666] The figures for 1970 are roughly comparable. Each table presents these both in gross form and also by subtracting the deposits from the affiliated banks of the holding companies.

Now, this reflects, I think, the importance of the Colorado banks but I think it overstates it because it shows all correspondent banking services and if you are talking about this kind of full range services, that the correspondent banks provide the Colorado banks, you really are talking about a sub-set of these numbers so that the percentage figures here really underestimate the percentage of the demand for full package services that come from Colorado.

As Mr. Metzger in his opening statement pointed out that banks with a lot of national business will show a low proportion of local assets. But this doesn't necessarily decline the market because in this case the products are really different.

Q. Dr. Hall, did you say that this overstates or—maybe——

A. Excuse me. It understates. Excuse me.

Q. I just wanted to make that clear.

A. I got my signs wrong, one of my problems with statistics.

Q. Now, Dr. Hall, do these figures square with your testimony about the fact that Colorado constitutes an [667] appropriate geographic market in which——

A. I think it's really what you would expect. I mean these banks are doing a large national business which is

the reason that they show up for—they have a considerable number of their deposits from outside Colorado. But, they do a very large Colorado business in these sort of broad range services.

Q. Now, Dr. Hall, would the geographic market for retail banking services necessarily be the same as the market for correspondent banking services?

A. No. I think it would be generally different. Most markets for the sort of services that banks render individuals, partnerships and corporations, personal customers, are less than state or they might be multi-state if you're in a national market, but this is very seldom.

Q. Is it usual to define a market in state boundaries?

A. Not usual but retail business—in terms that business they do to people—but for the market, for services that are sold from bank to bank, I think the state boundaries do have some very important consequences because with our dual banking system state laws tend to define an awful lot of permissible interbank relationships. Banks also have to deal with tax laws, state tax laws. They are involved with state property laws. The legal and political administrative and regulatory aspect becomes much more important in terms of [668] interbank relationships and therefore make political boundaries more significant than they are in the retail end of the banking trades.

Then of course there is the convenience. It is not just the market. The market isn't defined just politically. I think that's an important consideration for interbank dealings. But, there is also the convenience factor. As the witnesses who spoke this morning testified to, that is an important economic consideration.

Q. Dr. Hall, how would this proposed acquisition with respect to the correspondent aspect of the case be classified in terms of economic molels?

A. Well, the technical term for it is a forward vertical merger or forward vertical acquisition, which says that a seller is purchasing a customer in—or a potential customer and a simple analogy would be an apple grower buying a fruit stand. The reverse would be backward vertical integration, where a fruit stand operator would buy an apple grove.

Q. Analyzing the effects of a vertical merger acquisition, what factors do industrial organization economists generally take into account?

A. As I was saying a few minutes ago, I think the important things are the structure of the markets involved. It's very unlikely—very difficult to concede that a merger of this apple grower with a fruit stand would have any economic [669] consequences.

On the other hand, simply given the fact that the apple growing is very competitive—fruit stands are very competitive industries, easy to get into, low requirements. But, if you're talking about an industry, well, which has a very highly concentrated—difficult entry, and, like, say—say, gasoline refining. Petroleum refining, buying a chain of gas stations. Now, that's the—those are the sort of industries where it is possible that vertical integration—or you worry about vertical integration.

The point is that from an economic standpoint vertical integration doesn't create market power. It extends it. It can amplify it. It can protect it. But it's a multiplier. And, you worry about multipliers in areas where firms have a lot of market power to begin with. And so that's why I said that the most important consideration is the structrue of the market.

Q. Well, does the structure of the market have anything to do with the performance in that market?

A. Yes, I think the whole concept of price theory in economics and as has been borne out by many empirical studies is the kind—the numbers of firms, the size of firms, the ease of entry. These are matters all of which tend to determine the performance of the market. Performance—by performance I mean things like prices, investment rates, rates on innovation, [670] the outcomes of the market.

Q. In this regard I would show you Plaintiff's Exhibit in Evidence 204 and 205. Now, Dr. Hall, can you for me from these exhibits describe the structure of full range correspondent banking business as provided by the Denver correspondent banks in Colorado?

A. Yes, sir. These show the interbank deposits of the six Denver banks. The leading bank, First National Bank of Denver, did 37 percent of the business. The two largest, First National and United Bank did about 59 percent. I'm using December 31, 1969 figures. The three largest did, oh, about 77 percent. The big four, or the four largest did almost 88 percent. Somewhat under. There were, as I said, there are six banks as we have said a number of times, but the sixth, the Security, as we have heard only does about

one percent of the business. This was a de novo bank in 1963. It would be, I think, qualified under the heading of an entrant rather than a powerful force in the market. It's a small number in a concentrated market.

Q. Is there any term in industrial organization economics that used to characterize a market in which there are a small number of firms engaged?

A. Yes, the technical term is oligopoly.

Q. Now, a moment ago you indicated that one of the factors to take into account in analyzing the structure of the [671] market as that has to do with the conditions of entry. How would you describe, based upon your studies and your preparations for this case, do you have an opinion as to the conditions of entry into full service correspondent banking?

A. Yes, I have an opinion.

Q. Would you state that opinion?

A. Well, I think that entry is difficult in the sense that you have to be prepared to mobilize sufficient resources to provide the business, to be able to handle the sweat required, as was said. But, in other words—and to make the kind of investment which allows you to offer this sort of service.

However, while entry is difficult, it clearly is not impossible or blockaded as is evidenced by the fact that Security National Bank has gotten a foothold in the market and appears according to the testimony we heard this morning to view the matter with optimism. So I would say it's not like setting up a fruit stand. But, on the other hand, it doesn't appear to be impossible.

THE COURT: Do you mean in the Greeley area?

THE WITNESS: Well, no, I mean for Denver to set up a Denver bank—a Denver bank to go out and offer correspondent services to people such as the Greeley bank. If we look at the other side of the market, the buyers of correspondent services, here there is of course a lot more competition [672] throughout Colorado.

THE COURT: Well, Colorado National Bank apparently had the business up until a few years ago.

THE WITNESS: That's right. And whether Security—I doubt that Security National could get the Greeley business, now. In terms of size they are not—it would almost double their volume of business, and, you know, now, of course, it's not likely that they would get the business.

THE COURT: This is going to be dependent upon their ability to oftentimes carry these overline loans. This is the crucial issue, isn't it, in a situation like that? In other words, if the correspondent bank cannot cut it they're going to find another one that can, is that right?

THE WITNESS: That's right.

THE COURT: I mean, that has more resources, is that correct?

THE WITNESS: Not only the overline loans but to provide the other services.

THE COURT: So all the show and airplane ticket service and hotel reservation services in the world isn't going to save an account like that.

THE WITNESS: No.

THE COURT: I mean, if you need overline loan service you're going to get the institution that will furnish it, I suppose.

[673] THE WITNESS: That's one reason why I don't think Security right now is an effective competitor for the size account such as Greeley is. They're not a very large bank to begin with and also in terms of servicing the accounts. They've got four people. You know, that's not very many people to handle a lot of accounts or big accounts compared to, say—

THE COURT: So there is really a limit as to how much competition there's going to be anyhow, I suppose, in this area in commerce?

THE WITNESS: I think there are a lot of banks which are fairly good sized and who can handle it besides.

THE COURT: You mean when you get to a bank that has got capital of $50 million?

THE WITNESS: That's right. Security is a pretty small bank to try to get in. But there are banks——

MR. METZGER: Your Honor, Security is a member of a $150 million holding company.

THE COURT: I'm not talking about Security. I wasn't at all.

THE WITNESS: Well, to the extent that they can draw on the holding company assets, of course, just makes it much easier.

THE COURT: I was talking about the Greeley National. Isn't that about the size of it?

THE WITNESS: Yes, but Greeley National would be for [674] this purpose a consumer of correspondent services,

not likely to be an entrant into the—as a seller of services.

THE COURT: No purchaser or the First National Bank of Greeley, which is fairly close, isn't it, to Greeley National?

THE WITNESS: About the same size. But, these are firms that purchase correspondent services. They're very good accounts. A big bank. And also a big bank like this would consume a lot of correspondent services. Because, they will have a lot of overline loans. They will have, you know—they just generate a lot of business.

THE COURT: Well, Greeley was—I don't know what—but the mere fact that the First National of Greeley is acquired by Bancorporation doesn't mean they're not open for other business, does it?

THE WITNESS: You mean as a——

THE COURT: In the same area.

THE WITNESS: You mean the people?

THE COURT: It won't close them down. It doesn't foreclose their taking on other customers?

THE WITNESS: No, they could take on others but I mean—who will they buy correspondent services from in Denver? I think they will buy it from First National Bank of Denver.

THE COURT: You mean Greeley?

THE WITNESS: They're not a very attractive [675] account. What I am saying is that—let's say a Denver bank Security National wants to go out and sell correspondent services. Greeley National—or excuse me. The First National Bank of Greeley would not likely be an attractive customer simply because of their ties to the First National Bank of Denver. In other words, you won't go out and—I don't imagine very many banks are looking towards the First National of Greeley as an attractive customer at the moment. I'd be surprised if they were.

THE COURT: That's the only place where the rub comes then?

THE WITNESS: That's right. In other words, we are looking for what effect it has on people who want to sell correspondent services to banks such as Greeley. That's the kind of an effect which I am concerned with.

THE COURT: You mean maintaining competition among these six banks, is that right?

THE WITNESS: Well, and maintain the possibility for some other bank to get into the business; keeping the market

for correspondent services attractive and competitive by keeping it——

THE COURT: Well, what you're really saying though is that the holding company setup should be brought to a halt by court action, is that right?

THE WITNESS: No, sir. I'm not. I am all for [676] holding companies.

THE COURT: You mean there might be some who will be tolerable?

THE WITNESS: Indeed. I think that's the point. It depends on how holding companies expand.

THE COURT: None of them that we have got in front of us?

THE WITNESS: No, because the thing that is interesting to me about the acquisitions that are happening is that they are picking up the really good accounts, the choice outlets. The holding companies—there has been de novo expansion by holding companies which of course increases, and there have been acquisitions of banks which were not banks in the prime range of buyers of correspondent services. The recent proposed acquisitions have all involved very choice accounts as correspondent banking services.

THE COURT: You wouldn't say the National State Bank in Boulder is a prize, would you, at this point?

THE WITNESS: Let's see. The National State Bank of Boulder——

May I refer to an exhibit?

Q. Exhibit 209 in evidence.

A. Plaintiff's Exhibit 209 in evidence shows the year end balances of the National State Bank of Denver (sic)——

Q. Boulder.

[677] A. In their correspondent banks—the balances they carry with correspondent banks, and they were in 1969, out of 217 Colorado banks, that is, excluding the six Denver correspondent banks, they were the 21st largest account. In 1968 they were the ninth largest buyer of correspondent services. In 1967 they were fifth and in 1966 they were ninth. In 1965 they were 12th. And so that, you know, and —recently they have dropped quite a bit. But, over the past few years—well, I might go on—in 1964 they were 19th, and in 1963 they were 22nd. So they're back down to where they were before.

But, even 22 or 21 out of 217 is, you know—that's one

of the larger correspondent accounts. And at one point they were fifth, the fifth largest correspondent account in the state. I think that's probably—they were probably playing over their heads.

Q. You said National State Bank of Denver?

A. National State Bank of Boulder. Excuse me.

THE COURT: I know what you're talking about.

A. The National State Bank of Boulder.

So that while this was, you know, a large account—if you take a look at——

THE COURT: Well, I quit. That's all right. I have learned my lesson. I'll not——

THE WITNESS: Excuse me, sir. I just meant to be [678] responsive.

THE COURT: I think that's the best thing I can do is to just relax and enjoy it. I don't think I'm going to get any specific information anyway. Doesn't look like it. That's my only quarrel; is that all we get is a lot of theory, you know, and generalities, and as I have indicated a few times, I am sure anxious to get some specifics and some showing as to how it's going to adversely affect competition in the particular area where we are. That's all.

MR. MALASKY: May I proceed, Your Honor.

THE COURT: By all means. Help yourself. Do it your own way. I'm sure you're going to convince somebody. I don't know whether it will be me though.

[679] Q. Well, Dr. Hall, in this connection I would show you Plaintiff's Exhibit in Evidence 206, 207 and 210. You have already discussed 209. Would you just generally state what those exhibits in evidence indicate?

[680] A. They show for First National Bank of Greeley, for the Security State Bank of Sterling, for 209, being the National State Bank of Boulder, and for 210, Colorado Springs National Bank, their rank as a buyer of correspondent services during these years, and if we take 1969, the last year, as a buyer of correspondent services, Colorado——

THE COURT: State Bank Boulder?

THE WITNESS: May I have a word with——

THE COURT: Sure, go ahead.

(Counsel and the witness conferred.)

A. (Continued) I had a note which I needed to change. Colorado Springs National Bank was twelfth largest. The

National State Bank of Boulder was the 21st largest. The Greeley is 29th and the Security Bank of Greeley was 41st as a buyer of services, so that was one of the smaller, but the point I was making was that the Greeley acquisition was similar to the others in the sense that they have involved fairly sizable correspondent accounts viewed by the size of the business in Colorado.

Q. Dr. Hall, I would ask you to examine Plaintiff's Exhibits in evidence 211 and 212, and would you please describe what those exhibits show.

A. These exhibits get to the point that I was speaking of earlier in terms of the importance of the Greeley—First National Bank of Greeley, the Security State Bank of Sterling, [681] the National State Bank of Boulder, the Colorado Springs National Bank, as sizable accounts relative to the business which the six Denver banks get from Colorado. If you look at 211, which is Plaintiff's Exhibit 211, which is for August 31, 1967, and we take for example, the First National Bank of Greeley or let's just take the First National Bank of Greeley, they have in all, the six Denver correspondent banks together, they had $1,205,000 deposited. Now, assuming, and this is an assumption that overstates the case because the banks don't keep all their accounts even in their prime Denver correspondents as we have seen, but let's for a moment assume that a single bank got all of it. This would amount to about 3.3 percent of First National Bank of Denver's Colorado business. It would amount to about 5.3 percent of United Bank of Denver's Colorado business, about 5.2 percent of Central Bank and Trust's business. Colorado National, which used to be the prime correspondent, it would be 13.4 percent of its Colorado business, and for American National it would be 19 percent, 19.3.

I said it would almost double Security National's business. It would be equivalent to 92.9 percent of their business. The point is—and 212 simply shows as for December 31, 1969 it gives much the same picture. The point is that the Greeley account is a large account relative to most of the accounts that come out of Colorado.

[682] Q. Now, Dr. Hall, you stated that absent acquisition the bank would not have or carry all of its correspondent accounts in its prime account. Do you have any other evidence which indicates that that is the case?

A. Well, I would go back to Plaintiff's Exhibit 29, which

is interrogatory No. 25, which shows that over the period '67 through '70 the Greeley State Bank did vary its accounts. For whatever reason, around the time of the acquisition, they switched.

Q. Did you say Greeley State?

A. Excuse me, First National Bank of Greeley, right. Please excuse me; First National Bank of Greeley. They did vary somewhat their use of the Denver correspondent, and so, you know, I feel that these are not immutable relationships, and we saw that the relationships changed when the corporate ownership changed and I assume that they could change for some other reasons.

Q. Dr. Hall, I now show you plaintiff's exhibits in evidence 213, and would you please describe what Plaintiff's Exhibit in evidence 213 indicates.

A. Well, this exhibit purports the point, which is that the banks which are being acquired or proposed to being acquired are significant banks in important parts of the state. There are three columns on this exhibit that I think are of interest. One is the third column and the eighth [683] column—the third column, which says "Rank in State," which gives the rank of the city in the state by population; Column 6, which shows the ranks in that city, how the particular bank compares in terms of size of its total deposits; and Column 8, which is the figure I have used again before, the rank among all Colorado banks in terms of their correspondent demands. Well, what you see in terms of Column Number 3, "Rank in State," is that these are the—they are not picking up banks in little hamlets. They are picking up banks in major cities.

On Column 6, "Rank in City," they are generally not picking up the tail end of the banks. They are picking up the number 2, number 3, and in a couple of cases number 1 banks, and I think in terms of the rank among all Colorado banks, in terms of the size of their accounts, what I did was the ten banks on here I divided them into quartiles. Seven where in the first quartile, the top 25 percent. One was in the next quartile. That is, 8 were in the top 50 percent and only 2 were below average in terms of their correspondent balances. Is that——

Q. You stated that this is the rank among all Colorado banks?

A. Excuse me, excluding the six Denver correspondent banks.

Q. And just from the title of this, where are these [684] banks located?

A. These banks are located in major Colorado cities outside of Denver and its immediate suburbs.

Q. I will now show you, Dr. Hall, Plaintiff's Exhibit in evidence 214, and I would ask you to describe what that exhibit indicates.

A. This exhibit shows for the holding company subsidiaries in the Denver area, that is Denver and its immediate suburbs, the same kind of information which Plaintiff's Exhibit 213 shows, and here there are 13 affiliates. These are large accounts. These two are generally large accounts in terms of their correspondent demand. Of the 13, 4 ranked in the first quartile, 2 ranked in the top or next quartile, so 10 out of the 13 were above average and 3 were below average.

Q. Now, Dr. Hall, is there any significance to the fact that the present proposed affiliates of the six Denver correspondent banks ranked among the top users of correspondent services in the state?

A. Well, as I indicated, tried to indicate earlier, these are the choice accounts. The choice, you know, large, attractive correspondent balances.

Q. And what significance does the fact that they are the choice accounts have?

A. Well, I think the significance is that you can't [685] just look at the number of accounts that are passing from the closed to the open sections. The fact that the accounts that are passing are somewhat—are larger, you know, they have a more than—it is more than the numbers.

Q. Did you say from the closed to the open?

A. From the open to the closed.

Q. Well, now, Dr. Hall, does an increase in forward vertical integration have any effect on the relative ease or difficulty of entry of new firms into a market or business?

A. Well, the point I was trying—yes, as I was saying before, depending upon the kind of market structures which you have, vertical integration through merger can lead to increasing the barriers to entry. It can do it in several ways. One is a problem of foreclosure, so-called percentage effect. What would happen is, let's say, you had 200 firms. You were a supplier. You are selling to 200 firms, all about the same size, all potential customers, and you need 20 of them to run an efficient business. You would have to get

1 in 10. If you were going to move into the market, you would have to figure that out of every 10 customers, I have got to get 1.

But let's say you have 3 firms that do all the business as customers and you have to get 1 of the 3 to be in the business, so the fewer number there are relative to the number you need to get the economies of scale, the [686] more difficult entry is. Of course, the only other way, if you have got just a very thin market out there, the only other way to get into business is to build your own, but this greatly increases the capital that's required to get in that business.

Q. Now, moving along, Dr. Hall, I next ask you to look at Plaintiff's Exhibits in evidence 215 and 216.

MR. METZGER: Your Honor, may I ask that the title of this exhibit be explained to me?

A. Shall we start with 215?

Q. Yes.

THE COURT: First, the title.

A. Right, that's one of the hardest parts.

THE COURT: Did you prepare this?

THE WITNESS: No, sir.

MR. MALASKY: Your Honor, I take credit for any failures in titles.

THE COURT: Maybe you ought to explain it.

THE WITNESS: I have promised a little course in——

MR. MALASKY: I was afraid this was going to come up, Your Honor. I think if you read the top line as just with sort of two dashes after it, "Colorado Affiliates of Six Denver Correspondent Banks,—— and this shows what their interbank demand deposits which they held in six Denver banks were as a percentage of total [687] interbank demand deposits from all Colorado banks in those six Denver correspondents on the two dates involved.

MR. METZGER: I give up, Your Honor.

THE WITNESS: That's one of the lest confusing things about this table. I have some real reservations about the statistical——

THE COURT: I don't think there is any hazard that I will understand it.

THE WITNESS: That presents—may I accept the challenge?

THE COURT: All right.

THE WITNESS: What this shows is that of the current affiliates of the correspondent business that is now being accounted for by affiliates that are what I have been referring to as the closed portion of the correspondent market, now that compares to the total of all the correspondent business, so look at the end of the first column of figures. Ignore all those figures up there and go down to the bottom, and it says that there is $99 million in business from Colorado banks in the six Denver banks. Let's call it $100 million. I have been in the military game, so we round to billions.

Then we take for each bank, for each of the big Denver banks, it shows how the interbank demand deposits of [688] that bank's affiliates compare on a percentage basis. The First National Bank of Denver's affiliates, for example, account for $1,714,000, or about 1.7 percent of the whole business.

THE COURT: These are holding company affiliates?

THE WITNESS: Right, so it is saying that of the correspondents which the holding company has developed or acquired, they account for about 1.7 percent of the correspondent business.

MR. METZGER: I beg your pardon; I didn't think I heard that properly. Could I have that read back?

(The reporter read the witness' last statement aloud.)

MR. METZGER: I don't believe the holding company has acquired anyone, Your Honor.

THE WITNESS: Pardon me, I stand corrected. First National Bank of Denver's affiliates.

MR. METZGER: The de novo affiliates, is this what we are referring to?

THE WITNESS: Yes.

MR. METZGER: Okay.

Q. Why don't we just go down to the bottom.

A. 12 percent. This says that about 12 percent of the market is closed in the sense that they have ownership ties.

Q. And as of December 31, 1969, the figure was—

[689] A. 8.8.

Q. Okay, I now show you, Dr. Hall, Plaintiff's Exhibits in evidence 217 and 218, and would you please describe what these exhibits show.

A. These are tables which are similar to the last two

exhibits that we just discussed. They show relative to the correspondent business——

THE COURT: What are you on now, 217?
THE WITNESS: Let's take 217.

Q. Why don't you explain it column by column? It may be easier for the Court, too.

A. All right, 217, which is as of August 31, there were again 99 million, 100 million roughly, in interbank demand deposits from Colorado of the six Denver correspondent banks. Assume that First National Bank of Greeley were acquired by the defendant. This would involve a movement of about 1.2 percent of the demand deposits, or a foreclosure, that is a conversion of this from a customer-seller relationship to some kind of ownership relationship. Likewise, for Security, we are talking about 8 percent if we rule out the excuse me, .8 percent, excuse me—National State Bank, 2.5; and so on, for a total of 4.9.

If we take and express this instead of using the total demand deposits, if we exclude the Colorado affiliates, we are dealing with a base of 87 percent, 87 million, almost [689(A)] 88 million, and on that basis the amount of foreclosure involved in the Greeley acquisition would be 1.4 percent.

If you take this in the context of the four possible acquisitions shown here you are talking about 5.6 percent. This goes to Your Honor's point earlier of what are we talking about.

Well, if we are talking about the First National Bank of Greeley, we are talking about a market foreclosure of about 1.2 percent, or 1.4 percent, depending on how you consider it. If you take this in context with the others, you are talking about a foreclosure of 5 percent, something of this sort.

Q. Now, Dr. Hall——

THE COURT: Well, I don't think that even the government maintains that you can just add them up.

THE WITNESS: Well, I think in terms of the——

THE COURT: You might be able to. In the final analysis, you can.

THE WITNESS: I have not been thinking of the matter from the question of legal aspects of it. I have been approaching it and trying to determine what this merger means to me in terms of what's happening to the Colorado

market, so, you know, I understand very much that I am—I completely understand the legal point as you have expressed it to me. It has been very clear, but what I have been [689(B)] trying to do——

THE COURT: If you are going to consider this in this context, you are going to have to consider the trend that has been going on for ten years, I suppose.

THE WITNESS: That's right.

THE COURT: We are involved in that.

THE WITNESS: That's right, and I have been trying to——

THE COURT: We can't be divorced from it, so I suppose the present situation is—I mean, you just can't take that part that will help the plaintiff's case and divorce the rest.

THE WITNESS: No, sir.

THE COURT: I don't think that——

THE WITNESS: No, sir you are quite right.

THE COURT: I mean, that poses—we take a situation as it comes. If we are going to weigh these, I suppose we are going to have to weigh all the rest that have gone before.

THE WITNESS: Well, I think we did try to look——

THE COURT: This is a condition I suppose that there is no wrong, no wrong period of time.

THE WITNESS: You see, the question that's important here is whether this is making correspondent banking business a less attractive market. Is it cutting down? What is this [689(C)] doing to the market?

THE COURT: It is already cut down, is my point.

THE WITNESS: That's the question about my apple stand. You don't worry about it in terms of an apple stand——

THE COURT: Lock up the barn now that all of the horses have escaped. We have only got a couple left and we want to lock it, I suppose.

THE WITNESS: Well, I guess I think of it in terms of the —when you get to the point of whether these are important, if you have got sort of a—well, my apple stand, if you have got a hundred thousand apple stands, you don't worry about a bunch of those disappearing. If you have got a very small or a fairly small number of very choice kinds of accounts, their passage from being in a position where people can compete for their business, can try to get them out, their passing into an ownership relationship through vertical acquisition becomes important, so that my feeling about the past trend is that you do not worry about it until these become important, and then you do begin to worry about it.

THE COURT: Well, I think you have got a very convenient way of thinking about it.

THE WITNESS: Well, I—I am not—

Q. Dr. Hall, I now show you Plaintiff's Exhibits 219 [689(D)] and 220 in evidence. Would you please describe what these exhibits indicate.

A. Right, these are headed "Pro Forma." They simply show what they—they simply add up the last two tables. That is 219 shows for August 31, 1970, the amount of business involved in what I have called the closed portion of the market that's involved, considering both the past—excuse me, the present affiliates. The total for 219 is 16.9 percent. We would say then that about 17 percent of the market was sewed up by ownership relations. And Plaintiff's 222—

Q. 220.

A. 220, excuse me, does the same thing for December 31, 1969. The amount in the closed section here involved 13¼ percent.

Q. Now, Dr. Hall, what does all this mean in a practical sense?

A. Well, I think that it can have three different effects in a practical sense. First was the one that I talked about before the more business you have in the closed sector of the market, the less attractive an area this is to enter.

THE COURT: But basically, if this acquisition is permitted to continue, it removes the First National Bank of Greeley as a potential customer?

[689(E)] THE WITNESS: That's right.

THE COURT: Basically, isn't that it?

THE WITNESS: That's right. And, this makes the market—to that extent, I think it's less attractive. As I say, as I have tried to say before the importance of this depends on how many other attractive customers there are in the open market sector but it seems to be—attractive customers seem to be getting a bit scarce. The second thing that it can have is not only an effect on the attractiveness of new—of the economy but the attractiveness of aggressive competition by firms already in the business. That is, if you've got a lot of attractive customers out there that—that you have the opportunity to compete for, it's just a lot more attractive market than if everything is sewn up by ownership. The third thing is that the possibility of——

THE COURT: Well, do you think that the quality of the service will deteriorate?

THE WITNESS: I think that is a real possibility. You know, it's just a less attractive kind of business. You put your best people in. Do you really push it? That is an area that depends on——

THE COURT: Well, that's the only consequence that we could be interested in.

THE WITNESS: Well, Ithink the first is also a consequence, that you can be interested in. I think that is [689(F)] the consequence that one can be interested in. I think there is a third possibility that sometimes happens in these areas. You get a triggering reaction. What happens is that when you've got a small number of sellers, like this, who derive an important percentage of their business from some areas and firms in that area that starts being acquired, that you set off a kind of merger wave that has no real economic significance but is simply defensive reaction to protect one's business. We have seen this in other industries I think. And in which let's say you've got six firms in each that do 15 percent of the business out there. Well, if one firm starts buying up two or three customers, this may not be a terribly important thing in itself, but you can get the people who had been selling to them worried that they could lose all their business so they figure they better assure their market position by doing some buying, too. And what can happen is that pretty soon you get a completely vertical integrated structure that was not really dictated by any economies of scale or great desire for improvement. Was simply a set of defensive reactions.

THE COURT: Well, we do have to think in terms of consequences that are probable, because this is not a per se type of thing.

THE WITNESS: No, indeed, not.

THE COURT: In other words, there has to be pragmatic—

THE WITNESS: —assessment of what is, and, you [689(G)] know—this is not the kind of thing that you can put in some sort of computer model or something and it reads out a precise signal. But, as much as I have been able to assess it I think there are some—this Greeley merger taken in context with else is happening in the structure is likely to have some seriously substantially adverse impacts on the competitiveness of the market for correspondent banking services.

THE COURT: But, in other words, there can be no gain in saying that the Greeley or the First National Bank of Greeley is removed as a customer so far as other—that is, the full—for the full range of correspondent services. It maintains accounts in other banks.

THE WITNESS: That's right. And the problem is to interpret, you know, how important removing that customer is from the general competitiveness of the market and that was what I had tried to do.

MR. MALASKY: Your Honor, I have no further questions of Dr. Hall.

THE COURT: We will take our afternoon recess then. We will be back in about 15 minutes.

(Whereupon, the trial recessed at 3:23 p.m. and resumed at 3:44 p.m.)

CROSS-EXAMINATION

By MR. METZGER:

Q. Dr. Hall, I think it's time we put correspondent [689(H)] banking in some kind of perspective. How many employees are there of the First National Bancorporation and its subsidiaries?

A. I don't remember, sir.

Q. How many employees are there of the First National Bancorporation's correspondent banking department?

A. I read that number someplace but it escapes me.

Q. Would you be surprised if I told you the two numbers, 1,300 for the bank, and 15 for the correspondent banking department?

THE COURT: How many now?

MR. METZGER: Thirteen hundred employees in the bank of whom 15 are employees in the correspondent banking department.

THE COURT: Well, he said would you be surprised?

THE WITNESS: No, I would not be surprised.

Q. Now you said that the account in Greeley, the First National Bank of Greeley would be a very attractive account because a million dollars is a lot of money. Something in words to that effect, is that right?

A. I stand on that.

Q. Now, let's assume that I have an account of a million

dollars with a correspondent who does my check clearings. About what proportion of that million dollars would be allocated to uncleared items, uncleared funds, uncollected funds?

[689(I)] A. Yes. I know what you mean. I understand your question. You know you're asking me——

Q. Roughly?

THE COURT: At any given time?

MR. METZGER: Yes, any given time. Any average bank with a million dollars.

THE COURT: In other words, it would be the average surplus over and above committed funds?

MR. METZGER: Yes, Your Honor.

THE COURT: At any time?

MR. METZGER: Right.

THE COURT: What percentage?

THE WITNESS: Of uncleared——

Q. What would be left after uncollected funds?

A. I don't know.

Q. Any bank? Would you say 20, 25 percent?

A. I wouldn't even hazard a guess.

THE COURT: Well, this would bear on the amount of profit.

THE WITNESS: Right. Well, another way to figure it is to take what a million dollars—what would you pay for time money or what the next equivalent amount—what the next source would be of that kind of thing.

Q. I don't think I made myself clear, Doctor. If I had a million dollars in time money I would have it all. If [689(J)] I had a million dollars in correspondent accounts I would only have about 20 percent of it, wouldn't I, to start with?

A. You're saying the net after you take out the float?

Q. I have to pay as a correspondent bank, I have to pay these uncollected funds. Now, that leaves me out of that million dollars maybe two hundred thousand to work from?

A. Well—

Q. All right. And do you have to take a reserve from that two hundred thousand?

A. You have already taken 17 percent reserve off earlier.

Q. Before uncollected items?

A. Well, you've got the reserve.

Q. Then we take off the reserve figure. Now, of this several hundred thousand we have left, what responsibilities do we have towards functionalism, assuming that the function being performed is the processing of check items?

A. If I understand your question correctly, you mean there is some expenses involved in the check clearing process as a result of this?

Q. Right.

A. Yes.

Q. Now, against the earnings on this two hundred thousand I have to charge——

A. I don't what the amount would be.

Q. Now, if we're talking about balances of this [689(K)] proportion, a million dollars, coming down to the earnings on two hundred thousand and having processing costs on check clearning, there wouldn't be room for very much else, would there? Loan participations? Any other services you might offer?

A. Well, you will be—you'll have earnings. You'll have earnings on loan participation.

Q. You're talking about earnings, say, on five percent of two hundred thousand.

A. Well, what? You mean in addition to what you will earn on paper itself? Is that right?

Q. You think you're earning anything on uncollected funds?

A. No.

Q. We're talking about five percent earnings on two hundred thousand dollars—roughly four thousand dollars.

A. Whatever it is.

Q. And that has the function to perform——

MR. MALASKY: Object. It's ten thousand dollars, I believe.

Q. All right. Ten thousand. And has a function to perform—

MR. MALASKY: We're assuming that's the figure.

THE WITNESS: You would be carrying overhead.

Q. Paying expenses?

[689(L)] A. Overhead expenses and profit, sure.

Q. So just for that function alone a million dollars isn't necessarily very large, is it?

A. No, sir.

Q. Nor necessarily very profitable?

A. No. But, I mean, the fact remains that on a million dollar account, if you're a bank—a bank using some kind of fairly sophisticated analytic review, you would request sufficient deposits to cover the services that you render. You know, this is not going to—it's not free. Please, I have no illusion that it's free or that this is any kind of a manna from heaven; they earn the money.

Q. We're just trying to come up with where this million dollars came from and where it goes to.

Now, loan participation is another substantial item having to do with balances, is that correct? If a country bank wants a substantial participation on a standby capacity he is expected to have some balances to do that, is that right?

A. (Nods affirmatively)

Q. And I think it's fair to say that loan participations are something that we can get from banks all over the west, everybody is knocking on everybody's door for that business, isn't that correct?

A. I don't know how actively they're soliciting. I have no knowledge to that. I know that certainly the bank [689(M)] records I have looked at have shown that many banks do have participation over a wide area. How actively they solicit I have no idea.

Q. As a matter of fact the Denver banks have about 40 percent of their business outside of the State of Colorado, is that correct?

A. Yes, roughly the number I used.

Q. Now, then,——

THE COURT: Am I to understand—assume one million dollars in these deposits, that 80 percent of this will be moving on the average?

MR. METZGER: Yes, Your Honor.

THE WITNESS: That was the figure he used.

MR. METZGER: As a matter of fact, these are the precise figures for First National Bank of Greeley for last month. For a balance of one million one hundred forty-five thousand dollars, uncollected funds of $866,000.00. Collected balances, 278,000. Reserves of 17.5 percent against that of forty-eight thousand and net balances available for investment of $239,000.

But, we will put those numbers in the record later.
And, a net of one hundred twenty-three.
THE COURT: And ninety-five cents?
MR. METZGER: And ninety-three cents, Your Honor.

Q. What we're getting to, Doctor, is that there are [689(N)] active solicitations throughout the area of loan participation activity, so that if I am competing for loan participations for a bank anywhere in the Tenth District, that should be for that product area the section of the country involved, should it not?
A. No, sir.
Q. Just viewing that product alone, assuming you don't have clusters of products? Assuming that I can as the First National Bank of Greeley does go across the country and take loan participations here and there and the other cities?
A. Tenth District would seem an odd market area for me. I think if I were going to do that, if you were going to take that approach, I would imagine it would be wider, because I know that Greeley has a few loan participations at Wells Fargo I believe. May I check Interrogatory 25 for that?
Q. I'll agree with you, Doctor. We will stipulate between ourselves.
A. I mean, I don't remember—if I could refer to Interrogatory 25—
Q. They do have California activity in lending.
THE WITNESS: So, you know, in other words, if you're going to go as we agreed, as I take it we have agreed to go for purposes of argument on an item-by-item—I certainly would agree that loan participations are probably the item where you would be able to go the farthest way. Well, Federal [689(O)] Reserve strikes me—I have not studied it, not really looked at it or thought about it too heavily but it strikes me as the most peculiar market.
Q. That's what Colorado struck me. It is peculiar that we both should have a problem on the same day on the same subject matter.
THE WITNESS: It's pretty odd.

THE COURT: What do you find peculiar about it?
MR. METZGER: Your Honor, we have banks from all over the area hammering on the doors for participation overlines. We have a clear availability of the Federal Reserve Board for clearing of checks. These are the two items where

95 percent of the nondirect charge services come from. And so as far as the rest of the dollar figure, for the First National of Greeley, it's diminimus; more than diminimus.

THE COURT: Is that the only thing peculiar about Colorado that you have?

MR. METZGER: As a market, yes, Your Honor.

Q. And I take it we are in agreement that this check clearing process could be done for the First National Bank of Greeley by the Federal Reserve Bank of Denver?

A. At some inconvenience or some—there is certainly a—yes, they could. The facilities could be availed at but what—but evidently for many banks of the type of the Greeley bank they're not—

[689(P)] Q. Let's just talk about the First National Bank of Greeley now.

THE WITNESS: —a steady preference is to use commercial banks. The Fed does not seem a very attractive or successful competitor for this kind of business.

Q. Well, are you aware of the program going into effect on May 23rd at the Federal Reserve Board of Denver?

A. Are you referring to the changes in the crediting of the deposits and so on?

Q. Are you aware that the First National of Greeley can deposit its item by midnight in the Federal Reserve Bank and have it credited to its account by 8:00 a.m. the next morning?

A. I have read the changes they are making.

Q. Are you aware that that is a more advantageous service to the banks in terms of cost than going to a correspondent for the same function in the same time span?

A. I don't know how it compares, no.

Q. Are you aware that if I send my items to a bank they will charge me float on the clearance time, is that correct?

A. I have asked a lot of bankers about this and I get some very different answers. The precise advantages of correspondent—the way the correspondent accounting is handled and the Federal Reserve accounting is handled and the Federal Reserve accounting is handled, has been a matter that I have attempted to explore with bankers and have come out with a number of different reasons of why they—[689(Q)] for the advantages which they see in terms of clearing through a correspondent versus clearing through the Federal Reserve. So, to answer your question,

that this is a matter that I can give no firm assessment to what are the relative measures, merits.

Q. So, so far as you could tell one might be better or the other might be better, correspondent versus Fed?

A. No. What I was saying is that the bankers I have talked to seem to prefer correspondents. They say it's better but I don't understand the precise mechanics.

THE COURT: Well, I thought he asked you about the float charge. Did you answer that? Do you concede that there is such a charge?

[689(R)] THE WITNESS: I don't understand what the charges are, Your Honor.

THE COURT: Well, I don't either.

THE WITNESS: Well, I mean I am non-willing to make a firm statement since this is a subject that, as I have explained, I tried to pursue—

THE COURT: Well, apparently the bankers don't know it either.

THE WITNESS: That was——

THE COURT: But it would be the bank deposits—the forwarding bank would charge the amount if they gave immediate credit——

MR. METZGER: Your Honor, this information is available on an account analysis, exactly what you are being charged with, for what.

THE COURT: You mean it appears on a statement?

MR. METZGER: Any time a bank——

THE COURT: They put a charge actually on your bank——

MR. METZGER: For transit items, Your Honor, which take a little more time than the other. Wherever there is a float involved, wherever you are using my money for a day or two days or whatever it might be, obviously I am going to have to earn enough to carry that money, and I put that charge back to the man who is making me carry that [689(S)] float. If, for example, Your Honor, you borrow——

THE COURT: Well, you don't concede, though, that there is such a charge made, I guess, Doctor?

THE WITNESS: I don't know. I know there are various charges made. I don't understand how they compare with the crediting at the Federal Reserve. That was my answer.

Q. All right. Now, Doctor, you spoke several times about the question of closed banks, that when a bank is a

subsidiary of a bank holding company it becomes closed to the business of other banks.

A. Well, I spoke of the closed sector of the market. Not quite the same, but close.

Q. Are you familiar with the First National Bank of Fort Collins in this state?

A. No, I am not, sir.

Q. Did you hear the testimony of Dr. Walsh as to the First National Bank of Fort Collins?

A. Yes, I heard it.

Q. Are you aware that it is a subsidiary then of the Western Bancorporation?

A. Yes.

Q. Are you familiar with Western Bancorporation?

A. Yes, I am familiar with the Western Bancorporation.

Q. Western Bancorporation is the largest holding [689(T)] company in the United States, bank holding company.

A. Yes, that's right.

Q. Are you aware that the First National Bank of Fort Collins is an affiliate of the American National Bank of Denver?

A. Yes. You mean that that is also a Western bank? I am aware that the American is a Western bank.

Q. All right. Now, are you aware that the American National Bank is a competitor of those banks in the State of Colorado and elsewhere which offer correspondent services in and around the State of Colorado?

A. Yes.

Q. Are you aware that the First National Bank of Denver has for some time carried overlines for the First National Bank of Fort Collins?

A. I am not aware, no.

Q. Are you aware that the First National Bank of Denver and the American National Bank of Denver are competitors in the offering of Master Charge services?

A. No.

Q. Well, then, you would not be aware that the Master Charge account is with the First National Bank of Denver. All right. Are you aware—no, you would not be aware. Suppose I told you, Doctor, that besides carrying some overlines, the Master Charge account, that beginning on [690] May 10th of this year, the First National Bank of

Denver was going to carry the First National Bank of Fort Collins' cash letter?

A. I see.

Q. Would this give you some pause on your conclusion that a bank entering a holding company becomes closed to competition?

A. No, it wouldn't give me much pause. As I stated, even after—the Colorado country banks seem to carry two or three—frequently carry two or three Denver correspondents, one of which was their prime correspondent, one of which was in the others they used for various——

THE COURT: I think you said it closed the doors to full range.

THE WITNESS: Full range of services.

Q. All right, Doctor, what is the largest single charge item that a correspondent bank offers? What is the largest single basis of a balance?

A. Usually I think the clearing.

Q. Cash letters?

A. Cash letters.

Q. So, insofar as that constitutes the major relationship, that major relationship is going to a non——

A. Right, percentage. Yes, you know, I would be surprised if indeed the percentage of total deposits were [691] larger at First National——

Q. But if I told you, though, that that relationship, that cash letter relationship, was being transferred to the First National Bank of Denver, it would not change your opinion as to the closing of the subsidiaries of holding companies to competition from other holding companies?

A. There is also nothing about banking that surprises me and the fact that somebody that—that one can find an exception to the general rule doesn't, you know—yes, I would be surprised, but I think the general rule, which is my generalization, would still hold.

Q. Let me ask you a fundamental question, Doctor. In choosing between the kinds of banking you would like to see in a given state, will you tell us which you would choose as a structural——

A. I am a branch banking enthusiast. Next would be holding companies—well, actually, what I would like to see is nationwide branch banking under national charters with free entry all over the country. I take that this is ridiculous.

Q. And lacking that?
A. Statewide branch banking.
Q. And lacking that?
A. Limited branch banking.
Q. And lacking that?
[692] A. Holding companies.
Q. And last and least?
A. Unit banking.
Q. Now, Doctor, you spoke of correspondent banking as being a specific service of a commercial bank and you mentioned that there were specialized facilities to provide these services. Can you tell us what facilities there are at the First National Bank of Denver?
A. I was——
Q. To supply correspondent banking services, particularly other than those that supply any other than those that supply any other?
A. Yes, in the facility sense I was not using that in a physical sense of the term. I meant really organization or arrangement. The facilities I was referring to was the existence of the correspondent banking department, the people who provided the—facilitated the terms in terms of what they are, of course, doing, as I believe I said, or I certainly meant to say, that what this does is provide the access of small—or banks to the correspondent. It is essentially a marketing function.
Q. Would you say that it would be fair to call it a conduit to the services of the large banks, correspondent bank departments?
A. Well, that's not quite the analogy that sticks in [693] my mind. The analogy I have is the sort of function which many industries have of taking a basic set of materials and developing them and processing them for a certain specific market. The correspondent services obviously are the services that the bank furnishes itself, but it is a transformation function more than conduit in my mind.
Q. Well, it is interesting you should choose the word "function" as distinguished from "conduit," Doctor, because that's my next question.
I have here an analysis, functional cost analysis, by the Federal Reserve Board, based on data furnished by 881 Federal Reserve banks in 11 Federal Reserve Districts for 1969, average banks, and it lists a functional cost analysis of the cost of operating these national banks.

A. Yes, sir.

Q. Will you show me where the functional cost analysis refers to functional cost associated with correspondent banking?

A. Well, I don't believe they break it out by correspondent banking for what this matter is concerned with or what the functional cost analysis is really concerned with. The customers involved are not the important thing. This is really concerned with the economies of scale and the cost of various kinds of input, inputs, where the correspondent banking is a tailoring to an output. I don't [694] remember how—it's been years. One of the advantages of my job now is I don't have to look at functional cost analyses.

Q. I understand your relief from pain, Doctor.

A. But as I recall, I won't swear to it, but there is——

Q. It is not there.

A. Okay, I will take your word for it.

Q. I will show you in evidence Plaintiff's Exhibit Number 16, which is the income account, the breakdown of income of the First National Bank of Denver, and I ask you to point out to the Court, if you may, the breakout of the income of the, quote, correspondent banking department unquote of the First National Bank of Denver.

[695] A. Wouldn't show up on something like this, because this income, as I pointed out, is in the form of the implicit interest on balances earned, which is an input. This is showing income by outputs and what the peculiar nature of the correspondent banking relationship is that they pay for it by furnishing the bank one of its inputs, which is a demand deposit.

Q. Doctor, you spoke of First National Bank of Denver's allocation analysis for its correspondent bank client as being a management tool rather than a cost allocation. Isn't it fair to say, Doctor, that just about any assessment of costs in a large business is a management tool and arbitrary in many respects?

A. Yes, I agree.

Q. I am sorry, I did not hear you.

A. Well, any cost—almost any cost analysis involves some allocation of this sort. My distinction there was that this is something which one does to prepare to write the letters of which—to tell somebody that you need more balances. This is not a bill that's rendered per se, as I understand that.

Q. Well, we think of it as a bill.

A. Well——

Q. We hope to get to collections. Doctor, you spoke briefly at the conclusion of your testimony about concentration in banking markets. Could you tell me whether any of the 232 [696] standard metropolitan statistical areas in the United States are unconcentrated banking markets any more?

A. No, I don't think there is an unconcentrated banking market in the United States, none that I know of, with the possible exception of the—well, no, if you are speaking of SMSA, they are all concentrated.

Q. Doctor, let me read to you a quote from your previous writing that you have anticipated me on. "Shoe manufacturing and shoe retailing are both highly competitive and the ability of a vertical merger to extend or enhance monopoly in such market structures is practically nil. Any merger involves foreclosure in the trivial sense that there is one less buyer or seller, but if there is competition the only way that a buyer would find himself unable to find a seller, or conversely a seller a buyer, is if integration so lessened the cost of production and distribution that a general movement throughout the industry to vertical integration resulted. Then and only then would a non-integrated firm be unable to find another dealer. Therefore, the protection of the share of the market represented by Kinney's purchases amounts to protecting the high cost, non-integrated firm from the advantages accruing to an integrated producer."

May I suggest that your answer to that, Doctor, is that you don't think that corresponding banking offerors in the general area to which we are referring is a highly [697] competitive industry?

A. Absolutely, I do not.

Q. And that is the distinction you found?

A. Yes, sir.

Q. If that distinction did not in fact exist, you would concede that this acquisition was a desirable one?

A. Well, as I tried to make clear in my testimony, that the—no, excuse me. I would not speak to the advantages of the merger. I don't—that's a separate one.

Q. You don't speak to that question at all?

A. May I—that seems to me that there is two questions. The point I tried to make in my testimony was that the

effects of a vertical merger have to be measured or assessed or evaluated in terms of the market structures involved. I thought that there is a—in banking there is a great deal of imperfections, a great many imperfections in competition. This is the area where one worries about these matters, and as I look at the market for correspondent banking in Colorado, it seems to me that this is the kind of situation where concern about vertical integration is well justified, vertical integration through merger.

Q. That brings us to the second point that you raised that you did not address yourself to in your testimony, and which I have another quote from, Dr. Hall, in which you are complaining about the Federal Reserve Board's unwillingness to [698] direct its attention to the efficiencies attendant upon holding companies. "The Board has not distinguished between efficiency and monopoly. It has regarded competition as protection of the market share of existing banks rather than as a means of protecting consumer interests." Haven't you swung around to the Board's view, Doctor?

A. No, I don't think so.

Q. I didn't think you would.

A. What?

Q. I didn't think you would.

A. As I have said, if you can't have branch banking, holding companies make a good deal of sense. The issue in this case is how do you go from a unit banking organization to a holding company organization which provides a competitive banking market, which I think is an important one. The thing that bothers me—well, it is the methods that are involved here in this case, acquisitions, expansion by acquisition, and particularly the acquisitions which are particularly involved.

Q. The particular institutions?

A. Yes, the Greeley merger.

Q. By large institutions, which brings us to the next paragraph of that quote. "The result of the Board's focus on the absolute size of banks and holding companies involved in applications," and by that you meant applications to acquire other banking institutions, "has meant that the act has become [699] a bulwark of the status quo against change. While size can often be translated into market power, the Board has attempted to make size a criterion separate from competitive impact." Doctor, have you looked at the competitive impact of this merger in Greeley?

A. The answer to your question, sir, is——

Q. In Greeley. Will it be a better banking market tomorrow than it is today or a worse one?

A. I have made no examination of the horizontal aspects of this merger. I have never discussed it. The horizontal aspects of it are not matters that I have looked at other than reading the Board of Governors' opinion. • • •

MR. SCHOEPKE: This concludes the government's case on direct, Your Honor.

THE COURT: Very well.

MR. METZGER: Your Honor, at this time I should like to move that the plaintiff's case be dismissed for failure to prove a cause of action.

[708] THE COURT: Well, the motions will be denied, but based upon—largely upon my discretion to reserve judgment at this stage of the proceedings so as to hear the defendants' evidence. This is without prejudice to your rights, of course, to renew your motion upon the state of the record as it now exists. • • •

[711] IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO
Civil Action No. C-2413

UNITED STATES OF AMERICA,
PLAINTIFF,

VS.

FIRST NATIONAL BANCORPORATION AND FIRST NATIONAL BANK OF GREELEY,
DEFENDANTS.

Proceedings before the HONORABLE WILLIAM E. DOYLE, Judge, Presiding, United States District Court for the District of Colorado, Courtroom D, U. S. Courthouse, Denver, Colorado, commencing at or about the hour of 9:00 o'clock a.m., Monday, May 10, 1971.

APPEARANCES:

(As heretofore noted.)

• • • • •

[726] Your Honor, at this time we should like to call as our first witness Mr. Theodore Brown, Executive Vice-President of the First National Bank.

THEODORE D. BROWN

a witness called by and on behalf of defendants, having first been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

• • • • •

By MR. METZGER:

[727] (By Mr. Metzger) Would you state your name and address for the record, Mr. Brown?

A. Theodore D. Brown, 1600 Greenbriar Drive, Englewood, Colorado.

Q. What is your business, sir?

A. I'm Executive Vice-President of the First National Bank of Denver.

Q. What are your responsibilities in that function, sir?

A. As executive vice-president I am third senior officer in the chain of command behind the chairman and the president. I have general responsibilities for administrative [728] affairs of the bank. Most of the line and the staff department heads report to me. In addition, I am a director and a member of the executive committee of both the bank and the First National Bancorporation.

Q. Mr. Brown, absent the instant acquisition, is it the intent of the First National Bancorporation to enter the Weld County market by the chartering of a de novo bank?

A. No, sir. There are no such plans for the foreseeable future.

Q. Do you have some plans beyond the foreseeable future?

A. Not at this time.

Q. Are you able to make any judgments as to beyond the foreseeable future?

A. No, sir, not as of this time. We would have to look at it as the occasion arises.

Q. Why not then acquire the State Bank of Greeley or attempt to acquire it?

A. We would not be interested in purchasing the State Bank of Greeley even if it were available to us through sale, and I don't know that it is for sale. Actually, we would probably prefer to go into Greeley de novo rather than to purchase the State Bank of Greeley except we feel that the alternative is closed to us because we probably could not get the permission of the regulatory authorities, the grant [729] of a charter, particularly in view of the two recent turndowns in the Boulder area, which is a more populous, more rapidly-growing area than Greeley. The State Bank of Greeley is a converted industrial bank. Its operations are of a very retail nature, which do not fit into the pattern of our banking and in our judgment would not serve as a vehicle for the kind of banking service we would like to offer in the Weld County market.

Q. In any event, the acquisition of the First National—the acquisition of the State Bank of Greeley would not add to the number of banks in the market, would it?

A. No, sir, it would not.

Q. Generally, sir, what advantages or disadvantages do you foresee accruing to the First National Bank of Greeley through this proposed affiliation with the First National Bancorporation?

A. Well, we see several advantages to the First National Bank of Greeley. We have observed that the share of the market in the Weld County area which the First National Bank of Greeley controls has been steadily decreasing for approximately 20 years. Now, this would indicate to us that they are not taking a strong competitive position in the market which we feel quite likely results from some thin and some weak management. We would hope to improve that situation by contributing management skills in specific [730] areas such as agricultural credit, real estate lending, consumer finance, for example. The field of agricultural credit is very poor in Weld County. Farmers and ranchers generally throughout our area are using a great deal more credit than in past years, largely as a result, I think, of the increased size of farming and ranching units, the dependence upon mechanization and just generally the reliance upon capital rather than upon labor.

This means in many cases the credit requirements of farm borrowers have outgrown the capabilities of the country banks. Greeley, for example, has I think approximately 40 percent of its total loan portfolio in agricultural loans.

Q. Mr. Brown, I show you Defendants' Exhibit Number 9, which is a list of 100 largest agricultural lending banks in the United States and ask you whether you can observe on this document whether or not either the First National Bank of Denver or the First National Bank of Greeley is contained in the group of the largest bank agricultural lenders in the United States.

A. The First National Bank of Denver I find listed on the exhibit as Number 15, I think.

Q. Yes.

A. The First National Bank of Greeley is shown on the exhibit as Number 58.

Q. So do you think it's fair to say then, Mr. Brown [731] that both institutions are substantially involved in agricultural lending?

A. Yes, sir.

Q. Mr. Brown, I show you Defendants' Exhibit 8 and ask you whether or not this analysis of the loan portfolio of the First National Bank of Greeley supports your contention that they are heavily engaged above the norm in agricultural lending?

THE COURT: What number is that?

MR. METZGER: Number 8, Your Honor.

A. Well, this shows that the First National Bank of Greeley for the year 1969 had 36.7 percent of its loan portfolio in farm loans.

Q. How does that compare with the State of Colorado as a whole, sir?

A. The corresponding figure for the state is 11.9 percent.

Q. And what does this document reveal with regard to the penetration of the market for one- to four-family mortgage lending by the First National Bank of Greeley?

A. The First National Bank of Greeley for the year 1969 is shown as having 3.6 percent of its portfolio in real estate of one- to four-family dwellings.

Q. Against a state figure of——

A. —9.3 percent.

[732] Q. What about consumer financing, sir?

A. There isn't a breakdown by category described as consumer financing. Individual loans relatively include that category. Individual loans for the First National Bank of Greeley for the year 1969 are shown as 14.2 percent of the portfolio.

Q. Against a state average of——

A. —as contrasted with the state average of 28.3 percent.

Q. From these numbers, Mr. Brown, what would you conclude with regard to the lending emphasis of the First National Bank of Greeley?

A. Well, obviously they are heavy in the agricultural area and to me this has some ramifications because, taking into account the increased demands of the farmers and ranchers for more credit that I was speaking of a moment ago. It means to me that the First National Bank of Greeley is going to have a very difficult time keeping up with the requirements of those farm borrowers and at the same time not sacrifice the interests of the real estate borrower and the individual borrower in the consumer credit field.

Q. Do you think they have done that thus far?

A. I say they are quite top heavy in agricultural credit and we feel that they have not been as aggressive in the fields of real estate lending and in consumer finance [733] as they might have been.

Q. Do you see any correlation between this lack of aggres-

siveness in mortgage and in individual financing and the decreasing market shares of this institution?

A. Yes, sir, I think there would be a correlation.

Q. Do you plan, if the First National Bank of Greeley is acquired by the First National Bancorporation, to reduce its farm lending in order to increase its penetration of other spheres?

A. No, sir, by all means we would attempt to maintain the level of service to the farm and ranch borrowers, but at the same time increase the level of performance in the areas of real estate lending and consumer financing.

[734] Q. And how would you accomplish this, sir?

A. Well, by a variety of means. Again, the problem of a country bank is a problem of developing lendable funds. Agricultural depositors—agricultural depositors don't generate deposits comparable to commercial customers. Therefore, the country bank is faced with the problem of developing other sources of lendable funds. We feel that we could help in this problem, that the Bancorporation could do one or more of several things.

For example, if we are permitted to put together a statewide network of affiliated banks we could improve the mobility of funds by transferring funds from one bank or one area to another in terms of seasonal need or for special loan situations.

Secondly, the Bancorporation has access to national money markets through the sale of commercial paper or securities of other types.

Q. Does the First National Bank of Greeley have access to these markets?

A. No, sir, I was about to say that is denied to most small banks. They simply cannot market that type of paper.

The funds, the proceeds, from the sale of commercial paper and/or the securities of various types could be used by the Bancorporation then to purchase loans, to provide additional lendable funds in fact to the First National Bank of [735] Greeley. We could use an institution known as Agricultural Credit Corporation for the purpose of purchasing agricultural loans from the First National Bank of Greeley, thereby making more funds available for other types of lending that we have discussed.

Q. How would an agricultural cooperative of the type you speak permit you to increase the lending capacity of this bank?

A. The Agricultural Credit Corporation, which is a separate corporation, the stock of which is generally owned by the bank or in this case the Bancorporation, buys loans from the bank and in turn sells or discounts those loans with the intermediate credit bank, using the funds that flow back to go back into the bank.

Q. What kind of a multiplier could you find through the use of an agricultural credit corporation?

A. I am advised after a period of operation the Agricultural Credit Corporation is entitled to buy or discount from the intermediate credit banks up to seven times its capitalization.

Q. Now, you speak of your ability to aid in the agricultural lending of the First National Bank of Greeley by a variety of means, by shifting funds through the state, by commercial paper, by other financing by the Bancorporation and/or by an agricultural cooperative. Could you not do that for the benefit of your correspondents?

[736] A. No, sir, recent experiences have indicated the correspondent system has not worked that well. All other things being equal and over the past years, the correspondent system I think has done a pretty good job, but in recent times, and I cite the extreme credit crunch of 1966 and the tight money periods of late 1969 and 1970, the correspondent system to some extent bogged down, the reason I think being that the city banks had their own borrowing customers to whom they had to provide credit. Competition for the available amount of credit was intense and credit simply didn't flow through the correspondent system to everybody's satisfaction.

Q. Would you in any event commit personal funds of the Bancorporation to correspondents?

A. No, sir, I couldn't do that.

Q. What precisely would you propose to do to aid the First National Bank of Greeley with regard to its alleged weaknesses with regard to individual lending and mortgage lending?

A. Well, we have a very highly organized and developed real estate loan department, First National Bank of Denver, which I believe is fairly generally recognized as one of the leaders in this area. It is staffed in depth with competent people who understand the intricacies of FHA lending, VA lending, construction lending and other types of specialized real estate lending. The knowledge and experience of those

people could be made available to the First National Bank of Greeley [737] and to train, counsel the officers there, and I think the same thing can be said of the consumer finance field, which is a very specialized lending function and is entirely foreign to the knowledge of most country bankers.

Q. Couldn't you train your correspondents to do this?

A. Well, theoretically, I suppose we could. We very seldom would. We would not be paid for the service normally. The connection with the correspondent is too tenuous really to permit us to make that kind of investment in time.

Q. Mention has been made in this courtroom of a, quote, loan production office of the First National Bancorporation, in Greeley. Could you explain to us, sir, what that is?

A. Yes, the term itself is something of a misnomer and it is rather misleading. We do have a mortgage servicing agency in Greeley which was acquired with the Mortgage Investments Company in 1968. Now, this is not a banking office and does not perform banking functions. It simply sells and services real estate loans to long term investors, and, for example, savings and loan institutions, mutual savings banks, insurance companies, most of which are located in the eastern states. The agency, as I say, performs no banking function. It does collect a fee for servicing these loans for the purchaser-investor. That fee represents our income from the operation, which, incidentally, has not been highly profitable to date. He probably will review it from time to time and continue it [738] or discontinue it, based upon its profitability analysis.

Q. Would the continuation of this mortgage servicing operation in Greeley——

THE COURT: Where do you get the fee, from the seller or buyer?

THE WITNESS: Beg your pardon, Your Honor?

THE COURT: What's the source of the fee?

THE WITNESS: The fee comes from the buyer, servicing fee.

Q. Would the continuation of this mortgage servicing operation in Greeley be affected in any way by the affiliation or nonaffiliation of the First National Bank of Greeley with First National Bancorporation?

A. No, we don't view that as a part of this acquisition

problem at all. As I say, we will finally decide to continue that or discontinue it based upon its profitability.

Q. Are there other areas in the planning phases of bank operations where First National Bank of Greeley might benefit from its affiliation with the First National Bancorporation?

A. Yes, sir, I think there are. At the First National Bank of Denver, we put a great deal of stress upon management planning, forward planning, and a specific example of that I think is in the income tax accounting field. We have a staff of specially qualified people. We use computerized information to preplan in income tax accounting. Specifically, that includes [739] things such as these where there might be an option or an alternative method of tax accounting. It is the responsibility of these people to weigh the advantages of one method against the other and make a decision. It is their responsibility to follow up almost on a daily basis changes in either the IRS regulations or in our own situation as applicable to situations. They consider the tax impact of almost everything we do in the bank, and they do it, as I say, on a daily basis, and on a forward basis.

Now, it is my understanding that the tax accounting presently in force in Greeley is more like that in any other country banks, and that amounts to getting up to the eleventh month of the tax year or maybe up to the last two weeks of the tax year and calling in an accountant, and by this time it is too late to achieve the maximum benefits or savings that can be achieved through the forward method.

Q. Could you do this forward planning for the benefit of your correspondents?

A. It would not be practical, no, sir, we couldn't. Number one, the accounting systems of our correspondents are not necessarily compatible with our own. Number two, this kind of thing involves a trust and a delegation of authority and decision. You sort of bare your soul to the fellow who does the tax for you, and I think there is a psychological resistance of correspondent banks to lay out all their records, [740] for the fear I suppose of what might happen to them competitively, and in the final analysis what happens is a management decision. We could recommend to a correspondent but we would be in no position to make the decision for them.

Q. Would you say then that this constitutes a day-to-day

domination of the management affairs of the institution that you were doing the service for?

A. No, I don't think so, because if by institution you mean an affiliate bank, First National Bank of Greeley, for example, I don't believe it would, because the First National Bank of Greeley would continue to have its own management officers with management responsibility and its own board of directors.

Q. Yes, but is this not an intimate——

A. It is a very close relationship.

Q. Relationship with day-to-day management decisions of that institution?

A. And it involves a closer relationship than we could normally ever achieve with a correspondent bank.

Q. Do you know of any correspondents with which you have that kind of relationship?

A. No, sir, I don't.

Q. Are there any other ways in which you might aid the First National Bank of Greeley, let us say, in the management area?

[741] A. Yes, sir, in the area of maybe personnel.

Again, one of the serious problems that faces a country bank is the problem of management succession. It is very difficult to attract and retain competent, capable young people in country banks. They tend to feel that they are going down a blind alley or dead end or being boxed into a situation where they don't have the freedom of growth that they might have in a larger institution. I am aware that that, for example, that the First of Greeley has been looking for a head of the installment loan department for some nine months to a year, and I understand that this thing of which I speak is a factor in their being unable so far to satisfy that need. I have had a personal experience in that regard. I have been trying for two or two and a half years now to recruit a capable young trust officer for the Security State Bank of Sterling, and I find that many of these young people don't want to go to a small bank unless they can receive some assurance that there is a future for them in growth potential, that they can move around in the banking organization to which they are going to be attached. In fact, two of these people who were otherwise entirely acceptable to us took the position that if we at that time could have assured them that we were a member of the First National Bancorporation, that they had a possibility in the future of

being transferred, we will say to a bigger bank or to a different living situation that they would have accepted it. [742] We, of course, couldn't make the assurance and they did not accept.

Q. Mr. Brown, it has been suggested in the course of this hearing by a witness for the government that the banks in Denver are somewhat soft competitors and that they tend to follow parallel pricing practices, is this true to your experience?

A. No, sir, I would certainly not characterize the Denver Banks as soft competitors.

It seems to me we compete very aggressively. For example, in the First National of Denver, we have a formal officer calling program, under which our bank officers are assigned a number of calls each year of business accounts. These are not social visits. These are business purposes.

The fellow goes out with a business message and he is expected to ask for business while he is there. It is also true we don't make these calls on only new prospects. We call on all the businesses in Denver, whether they be our customers or other customers, in order to obtain their business.

Q. Now, Mr. Brown, in addition to being senior official of the First National Bank of Denver, and the former president of the Security State Bank of Sterling, you have held positions in the State Banking Association, have you not?

A. That is true. I was president of the State Banking Association in 1960, I believe.

[743] Q. During that time have you had occasion to visit most of the banks and banking areas in this state?

A. Yes, sir.

Q. Could you compare for us what in your judgment is the level of banking competition obtained in Denver and the rest of the state?

A. Well, I think Denver is to my knowledge probably the most competitive market in the state.

Q. Now, Mr. Brown, I think the $64 question is would you carry this policy of vigorous competition that you utilize in Denver into Greeley if you were permitted to acquire the First National Bank of Greeley into your holding company?

A. Most emphatically, yes.

Q. Would you call on all customers in the market, whoever they might be?

A. Yes, sir.

Q. Do you believe that the acquisition by the First National Bancorporation of the First National Bank of Greeley will aid or impede the course of competitive activity in Weld County?

A. I think it will aid the course of competitive activity in Weld County.

MR. METZGER: No further questions.

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[745] CROSS-EXAMINATION

By MR. SCHOEPKE:

Q. I believe you indicated at the beginning of your testimony that you had no intention whatsoever of going into Greeley via the de novo route.

Could I ask you in terms of the holding company's overall plans, have you absolutely ruled out the possibility of de novo entry anyplace?

A. No, sir. We have not absolutely ruled it out anyplace.

Q. As a matter of fact, you have endeavored very recently to accomplish de novo entry into the Montbello area, have you not?

A. That is correct.

Q. And, of course, the original organization of your affiliates here in Denver area were all de novo organizations of affiliates just prior to the holding company formalization, isn't that correct?

A. Yes, sir. At that time and in those places we felt that the appropriate method.

Q. And do you feel that your organization has the resources for de novo growth, where appropriate?

A. I think where appropriate we could manage the resources.

[746] Q. Now, I believe you indicated that you felt that the First National Bank of Greeley had a thin and weak management. Is that about the way that you put it?

A. I think that's about what I said.

Q. Now, you were involved in the negotiations leading up to the finalization of the contract to acquire the bank in Greeley, were you not?

A. No, sir, I was not directly involved in those negotiations.

Q. In the course of preparation for this case, have you

had occasion to read the annual reports of the First National Bank of Greeley?

A. The First National Bank of Greeley?

Q. Yes.

A. No, sir.

Q. Do you know anything about the First National Bank of Greeley, fiscally, that is?

A. Yes, I think I have a general knowledge of the size of the bank.

Q. How big is it in terms of deposits?

A. Approximately $40 million in deposits.

Q. And do you know whether it is making money or losing money?

A. I don't have that information. I will assume it's making money but I can't give you a quantitative answer to it.

[747] Q. Now, what is the basis of your statement then that the First National Bank of Greeley has a thin and weak management?

A. Well, it relates primarily to those areas that I discussed on direct examination in which we feel the statistics indicate they have not done as good a job in certain areas as they might have done and as we would hope to do.

Q. Well, now, all of these areas that you have mentioned, increasing their ability to stand agricultural credit and agricultural loans and mobility of funds and tax assistance and whatnot—aren't all of those things available to the Greeley bank already, pursuant to the fact that they are one of your correspondents?

A. No, sir. I thought I answered Mr. Metzger's question that we could not make many of those services available to a correspondent in the same fashion we could to an affiliate.

Q. In the same fashion? But, you could make them all available, could you not? Isn't that what a correspondent banking department is for, to assist local——

A. No, sir.

Q. —local correspondents?

A. No, sir. I don't think that is a primary purpose of a correspondent banking system.

[749] Q. Now, is the First National Bank of Denver—does it furnish assistance to its correspondents in Federal funds transactions?

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A. We buy Federal funds from correspondent banks as well as on the open market. This is really not a function of the correspondent banking system. It's a method by which we obtain federal funds and liquidity in our bank.

Q. But you do that for correspondents?

A. Well, not for correspondents. We do it primarily for our purpose.

Q. But do you do it at all for your correspondents?

A. Well, we buy from correspondents federal funds for our purposes in the First National Bank of Denver. We also buy federal funds on the open market.

Q. Now, does the First National Bank give advice—[750] investment advice and portfolio management advice to correspondent banks?

A. We have recently adopted a computerized printout form which tabulates municipal bonds, prices them in groups and by maturity and by states, and this type of thing. That service is available to correspondent banks. It is also available to non-correspondent banks on a fee basis. This is something we sell.

Q. How about safekeeping of securities and matters of that sort, and escrow accounts? Is that a service that your bank performs for its correspondents?

A. I would have to answer that one very generally, Mr. Schoepke. I don't have daily contacts with those areas. It is my understanding that we do perform some safekeeping services of securities for country banks.

Q. And how about clearing of checks? Do you clear checks for your correspondent banks?

A. Yes, sir.

Q. And how about transfer of funds, wire transfer of funds and that type of thing? Do you perform those services from your correspondents?

A. We are equipped to perform that service upon request.

Q. And how about special services that we have heard a lot on? I don't know if you were in the courtroom, [751] purchasing tickets for events and so forth? Do you perform those services?

A. I wasn't in the courtroom. I don't know what you refer to.

THE COURT: Airplane tickets, show tickets, hotel reservations; this sort of thing.

THE WITNESS: We have a young lady on our staff which

we call special services officer, Your Honor, and she is available to make reservations and purchase tickets, but she does this for customers of the bank, friends and relatives.

THE COURT: I think we can well afford to get to another subject. This is outside the scope. I have let you go on this because he did—he testified of course, that the correspondent relationship just has certain limitations and so I have let you proceed. But, I think we have exhausted the possibilities.

MR. SCHOEPKE: Very well, Your Honor.

Q. Mr. Brown, would you not say that—is it not your assertion that if you replace correspondents by buying them and making them affiliates of your holding company, that you will give them these better services which they already get to some extent from you as a correspondent relationship? Isn't that what you're saying? That the holding company acquisition of a correspondent like Greeley [752] will simply improve upon something that is already good?

A. No, I wouldn't agree with that language, Mr. Schoepke. I think what I feel and hoped I said was that the correspondent banking relationship does have some limitations which enforces limitations upon our ability to perform. I feel that the acquisition of an affiliate solves some of the problems of those limitations. That is not to say that we're going to try to substitute an affiliate for every correspondent bank account we have.

[753] Q. But is it your assertion that it would ameliorate the limitations, as you put it?

A. In specific instances such as we are discussing in Greeley, there are certain areas in which we perform better for an affiliate than we can perform on a correspondent relationship.

Q. But you are not saying on the basis of a correspondent relationship you cannot perform in these areas at all, are you?

A. I am saying we are extremely limited in some of those areas and we are grouping quite a few types of functions together when you say that.

Q. Now, Mr. Brown, you mentioned agricultural credit, and I believe that you suggested if Greeley were to become an affiliate of the Bancorporation that an agricultural credit corporation could be organized and that would extend the

ability of First National Bank of Greeley to offer agricultural credit because it could discount its agricultural credit with the Federal Farm Credit Bank in Wichita, Kansas, I believe it is, isn't that correct?

A. That——

Q. Now, let me ask you this. Is it necessary for the First National Bank of Greeley to form a holding company like Bancorporation in order to organize one of those ag credit banks?

[754] A. No, sir, it is not necessary in order to do so.

Q. Do you know how much capital is required to organize one of those agricultural credit banks?

A. No, sir, I am only generally aware of the requirements for organizing, and since I was more active in Sterling I think the regulation has changed and I don't think I can tell you the basic figure.

Q. Did you by any chance organize one in Sterling?

A. No, we did not.

Q. Do you happen to know if the bank in Keenesburg organized an agricultural——

* * * * *

[755] Q. Well, perhaps I better withdraw the question and ask it another way. You are familiar with Weld County, are you not?

A. Generally so, yes, sir.

Q. And, of course, you are familiar with the Greeley bank, First National Bank in Greeley?

A. Generally so.

Q. Are you acquainted with the Fort Lupton State Bank?

A. Only that there is a state bank in Fort Lupton. I don't know that situation.

Q. Well, let me ask you, do you know whether the Fort Lupton State Bank organized an agricultural credit corporation?

A. No, sir, I don't.

Q. Do you know whether or not the State Bank at Keenesburg organized an agricultural credit corporation?

A. I don't know that they organized one.

Q. Now, Mr. Brown, one of the points that you made as to what you thought would be the advantages of a holding company such as yours in acquiring a bank such as Greeley would be—and other banks throughout the state—would be to improve the mobility of funds. May I ask you, don't

we already have mobility of funds through the correspondent banking system and [756] the overline system and the participation system that we have all heard about? Isn't it possible to transfer funds back and forth throughout the state under the correspondent banking system?

A. Well, again, I intended to answer that if I did not on the direct in theory there is a degree of mobility of funds available through the correspondent system, but the problem is that the impact of the tight money period that we have lived through makes—considerably hampers that mobility. Each individual bank has its own problems with credit requirements. They are not as free to buy loans or to participate in loans, which really is the basic way that you make funds mobile through a correspondent system and the only way you can make it available through a correspondent system.

Therefore, it is my conclusion that it has been for many years that the correspondent system is simply too tenuous an arrangement for a country bank to depend upon in this area of developing lendable funds in very difficult periods.

Q. Well, do you feel that this problem of mobility of funds is such that all country banks should be abolished and all should be members of holding companies? Would that improve the situation?

A. No, sir, because not all country banks have the same loan requirements, the same loan-deposit ratios or the same pressures.

[757] Q. Now, do you have any assurance, assuming now that we would have a holding company system, a statewide holding company system with many affiliates or various affiliates, let us say, do you have any assurance as to which way the mobility of funds would go?

A. I think it is one of the great advantages, Mr. Schoepke, of the system that they can go either way. There are times when there are excess funds in what we would call country banks and they can flow to the city, assuming the city is the big bank in the affiliate group.

Q. If investment opportunities in the city or let's say up in Vail or Aspen were preferable to those out in Greeley, where would you expect the funds to travel?

A. I would think that the individual bank management and directors would see to it that they did not ship out the funds which they could lend in their trade area in order to

accommodate another section of the state if in fact they needed them themselves at that period.

Q. Could you tell me is there any reason in your view why the First National Bank of Greeley should be exempt from a policy of tight money created by the Federal Reserve Board?

MR. METZGER: Objection, Your Honor. I think this is too heavy a burden to place upon this witness.

THE COURT: Well, I don't know about that. He might try.

[758] THE WITNESS: I appreciate your confidence.

THE COURT: Do you understand the question?

THE WITNESS: May I have the question again, please.

THE COURT: Surely, the reporter will read it.

(The reporter read the pending question aloud.)

THE COURT: If you said that. I don't suppose you have to admit that you did. It is a little bit loaded, I think, this question.

A. Yes, it is a very difficult question to answer because it is loaded. Number one, I can't speak for the First National Bank of Greeley in that respect. Number two, or probably the other way around, I certainly can't speak for the Federal Reserve Board's policy on tight money. I am not sure there is a written policy on, quote, tight money, but I don't feel that what we are talking about contravenes the general policy, if that's what you had in mind, against making new loans available for new acquisitions, speculative loans, that type of thing. We were talking on the direct examination of service to existing agricultural borrowers in Weld County and the improvement of lending services to real estate borrowers and people interested in consumer finance in the market.

Q. Well, you spoke about what you thought from such knowledge as you had of the First National Bank of Greeley that there was weak management there. I'm just wondering, are you aware of the fact that since 1966 seven people were [759] offered positions there and—or, nine were offered positions there and only two of them turned them down? Were you aware of that?

A. I have no knowledge of that, sir.

Q. Are you aware that the First National Bank of Denver

as a correspondent bank in Denver assists its correspondents in training personnel?

A. We do very little training of personnel, to my knowledge. Again, this is—the correspondent banking division is a specialized division with which I don't have day-to-day contact.

MR. SCHOEPKE: We have no further question, Your Honor.

MR. METZGER: Just a few questions, Your Honor.

REDIRECT EXAMINATION

By MR. METZGER:

Q. Cross-examination raised the subject of your Montbello operation. I wonder if we might trace the chronology of that. Did the First National Bank—what is Montbello, to start with?

A. Well, as I understand it, the term Montbello applies to a geographical area located in the northeastern part of Denver.

Q. In the city of Denver?

A. I'm not sure whether it is in the city limits or not, actually.

[760] Q. I think the Court could take judicial notice that it is in the city limits.

A. In the area of Stapleton International.

Q. Did you originally propose to organize a de novo bank there?

A. No, sir.

Q. I don't mean your first formal proposal. I mean your original intrabank contemplation of this question.

A. No, sir, the original approach was an attempt to acquire an existing state bank in the area.

Q. I think that we better explore the facts on this a little later. The question was raised as to the organization of affiliates. Where are the three small banks in the holding company located?

A. First National Bank of Bear Valley, First National Bank of Southglenn and the First National Bank of Northglenn.

Q. Could we characterize these fairly as suburban banks?

A. I think so, sir.

Q. Were these developed suburbs when they moved in or new suburbs?

A. Well, I was not living in Denver at the time so I can't answer that with personal knowledge. My impression is that they were developing areas.

Q. Is there a difference between the operation of a suburban shopping center bank and a downtown wholesale bank?

[761] A. Yes, sir, there is.

Q. Is there a quality difference in personnel?

A. Generally so.

Q. What do you mean by that, sir?

A. Well, the downtown or wholesale oriented bank generally has to provide staff competent and capable to deal with larger credit, more sophisticated customers with more complicated business problems.

Q. So that the organization of a suburban banks is a different proposition in your view?

A. That's correct.

Q. On the subject of the agricultural affiliate, sir, what do you propose to offer to the First National Bank of Greeley there that it does not have in the possible formation of an agricultural affiliate?

A. Well, we have committed and earmarked and set aside $1 million for the capitalization of this proposed agricultural credit corporation. What sum of money the First National Bank of Greeley may be able to commit as capital. I don't know.

Q. But you have that money.

A. We have that money.

Q. Obtained how?

A. Through the sale of debentures by the First National Bancorporation.

Q. Is that vehicle, to repeat your direct examination, [762] is that vehicle available to the First National Bank of Greeley?

A. No, sir, it is not.

Q. Now, sir, a mention was made of an agricultural affiliate of the Fort Lupton State Bank. Are you aware of the ownership of that bank?

A. I am sorry, I have no current information about the ownership or the agriculture affiliate of the Fort Lupton State Bank.

Q. The question was raised which way would the funds of First National Bank of Greeley go if it was part of the holding company. Speaking of the small banks already in

the system which were organized by the Bancorporation, have these banks ever been excessively loaned beyond their total deposit structure?

A. At the very beginning of their operations they were loaned beyond—not beyond their deposit structure, but beyond what we would normally consider a reasonable loan-deposit ratio, for the reason that the First National Bank of Denver was sending loans to them for income purposes.

Q. In order to aid in the development of that?

A. That is correct.

Q. This could be done both ways with the First National Bank of Greeley?

A. I believe that's true.

[763] Q. The question was asked whether or not the First National Bank of Greeley should be exempt from Fed. tight money policy. Could you tell me, sir, whether there are substantial holding companies throughout the United States, bank holding companies?

A. Yes, there are.

Q. Do they in fact not control the majority of bank deposits in the United States?

A. I believe that's correct.

Q. Do you propose to do anything through your holding company that these holding companies do not do today?

A. We would propose to do nothing that they cannot do, nothing that is not legally permissible.

MR. METZGER: No further questions.

MR. SCHOEPKE: Just two questions on recross.

RECROSS-EXAMINATION

By MR. SCHOEPKE:

Q. Mr. Brown, getting back to the agricultural credit corporation that Mr. Metzger just discussed with you, is it not possible for an agricultural credit corporation to be organized by First National Bank of Denver and First National Bank of Greeley on their present existence as correspondent banks instead of having this holding company?

A. I don't truthfully know the answer to that, Mr. Schoepke. I just am not that familiar with the organizational [764] procedures in agricultural credit corporations.

Q. Now, the subject of shifting funds among the affiliates of holding companies came up again. Now, I had originally

asked you do you have any assurance as to which way the funds would flow, would they flow from the city out into the country or from the country into the city. Now, assuming that a bank such as Greeley becomes part of a holding company, then stockholders of the Greeley bank are now stockholders of the holding company, is that not correct?

A. That would be true.

Q. Now——

A. I should say those who exchange their stock would become stockholders of the holding company.

Q. Yes, but vis-a-vis the Greeley bank those with the financial interest are stockholders of the holding company, are they not?

A. I concur with that.

Q. Now, if there should be more advantageous loan rates in Denver or Colorado Springs or what have you than there are in Greeley—in other words, if the percentage return from investments and loans and whatnot is greater along the slope of the mountains or maybe in some of the developments over on the other side of the mountains, would you not expect that in the interest of the stockholders of the holding company that the money would tend to flow from the Greeley area into the [765] Denver area?

Mr. Metzger: Objection, Your Honor. This is beyond the scope of redirect.

In fact, all it is is an extension of the cross-examination on a point that I did not raise.

[766] Mr. Schoepke: Well, the subject was brought up again——

The Court: Overruled. He may answer.

The loans are more attractive outside of Greeley. Would you anticipate the funds would flow in those directions rather than the loan, locally? That's the essence of what the question was.

Q. Bearing in mind the stockholders are the stockholders of the entire holding company organizations.

A. No, sir. I would not anticipate that result would follow automatically or in every case. For one thing, the opportunities to invest—the theoretical opportunities to invest in these higher-rate loans that you're talking about exist now and if the management and directors at Greeley felt no particular responsibility to the community those investments could be put into the Greeley portfolio now.

The fact that they change hats and become stockholders of the Bancorporation does not persuade me that they would be negligent in their obligations to the community in which they live and which their bank has been a fixture for a hundred years, more or less. I just believe the hypothetical situation you describe would occur.

Q. I'm not suggesting negligence. I'm asking you what in your opinion as a banker of many years the tendency might be under the circumstances?

[767] A. The tendency might be to raise rates in Greeley.

MR. SCHOEPKE: No further questions.

REDIRECT EXAMINATION

By MR. METZGER:

Q. Let me rephrase that last question.

Sir, would it be your policy as a senior executive officer of the First National Bancorporation to direct your subsidiary banks to move funds where they obtain the greatest return at the expense of their local responsibilities?

A. Most certainly not.

MR. METZGER: No more questions.

(Witness excused.)

MR. WILLIAMSON: Defendants call A. H. Trautwein to the stand.

A. H. TRAUTWEIN,

a witness called by and on behalf of defendants, having first been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

By MR. WILLIAMSON:

THE COURT: State your name and address and occupation, please.

THE WITNESS: A. H. Trautwein, Cheyenne, Wyoming, banking.

Q. (By Mr. Williamson) Are you presently Chairman of the Board of the Wyoming Bancorporation?

[768] A. Yes.

Q. And are you presently President of the Cheyenne National?

A. No, sir.

Q. What is the position you hold there?

A. Chairman, Executive Committee.

Q. Did there come a time, sir, when you had discussions with principals or representatives of the State Bank of Greeley with a view toward purchasing that bank?

A. Yes.

Q. What was the result of those discussions?

A. Terminated.

Q. Why were they terminated, sir?

A. Well, I didn't think they wanted to sell. They indicated they might like to sell but they raised such limitations that in my mind they didn't want to sell.

Q. What were those limitations?

A. They wanted to keep control and they wanted to keep the same management in the bank that they already had and they also put a very high price on their stock.

Q. I take it as far as you were concerned this was tantamount to no offer of sale at all, is that correct?

A. Yes, sir.

Q. Did there come a time, sir, when you were a banking official at the Greeley National Bank in Greeley?

[769] A. Yes.

Q. During that time did you ever make any decision to grant or deny credit, to set a given rate of interest, to charge or pay? Was it ever affected by the prospect that you might thereby induce First National Bancorporation to apply for or secure a charter to operate a bank in Greeley?

A. No.

Q. I take it this is simply a theoretical model then of an account and has no hearing upon management decision?

MR. SCHOEPKE: I object to that.

THE COURT: Sustained.

Q. Based upon your experience in Greeley as a banker and based upon the competition you had with First National Bank of Greeley, have you reached a conclusion with respect to the quality of the management below the two top men at the First National Bank of Greeley?

A. We thought they were singularly unaggressive.

Q. Would you also characterize it as thin?

A. Well, I presume that would be a good word.

MR. WILLIAMSON: I have no further questions, Your Honor.

CROSS-EXAMINATION

By MR. BRENAN:

Q. Mr. Trautwein, when were you connected with the [770] Greeley National Bank?

A. In the '50s. I left in December, '59.

Q. Is it true that at that time First National Bancorporation was not even in existence?

A. Yes.

Q. Is it also true that about that time First National Bank of Denver and the International Trust Company merged to form the present First National Bank of Denver?

A. I don't recall when they merged.

Q. Mr. Trautwein, what particular individuals did you approach when you attempted to buy the State Bank of Greeley?

A. Winnie McCrory and Martin Field and also talked to their board.

Q. When was this? What year?

A. '55, '56—I mean, '65, '66. Maybe '67. I really couldn't tell you for sure. Must have been about '67, I believe.

Q. Now, you were aware of the fact that Mr. Field has since died?

A. Yes, sir.

Q. Have you ever approached the people who are presently running the State Bank of Greeley?

A. No.

Q. Would it be safe to say that your conclusions with [771] regard to the management of the First National Bank of Greeley relate only to the period that you were present in Greeley as a banker?

A. Yes.

MR. BRENAN: No further questions.

REDIRECT EXAMINATION

By MR. WILLIAMSON:

Q. Irrespective of my slip as to the formation of the First National Bancorporation, I take it your answer to my question would not change if I had asked you to take into consideration management determining the entry of the First National Bank of Denver through formation of a holding company?

MR. BRENAN: May I object to counsel leading the witness?
THE COURT: Yes, you may, and I will sustain it.

Q. Would your answer to the question be any different if I asked you if you took into consideration the activities of the First National Bank of Denver?
A. I'm a little lost on what the full question is.
Q. The full question is as to whether or not at the time that you were making loans, soliciting customers, you took into account the prospect of the First National Bank of Denver some day, somehow entering into the Greeley area?
A. I don't think that we make management decisions to [772] eliminate competition or future competition. We make it on what we think is best.
Q. You make it, do you not, based upon a consideration of that particular applicant and of a particular customer you solicit?
A. At the time, yes.

MR. WILLIAMSON: I have no further questions, Your Honor.

RECROSS-EXAMINATION

By MR. BRENAN:

Q. Mr. Trautwein, I take it that any statement that you make as to the influence of First National Bank of Denver on your activities would be limited to the—to 1959 and the time prior to that when you were associated with the Greeley National Bank?
A. What statements did I make?
Q. In response to Mr. Williamson's——
A. Any time I think a banker—if he is interested in the bank—makes a decision for the time for the man who is applying for the good of the community, irregardless (sic) of outside influence or what he thinks might be outside influences.

MR. BRENAN: No further questions.

(Witness excused.)

MR. METZGER: The defendants call Mr. Norman Dean.

[773] NORMAN M. DEAN,

a witness called by and on behalf of the defendants, having first been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

By MR. METZGER:

THE COURT: Give us your name, address and occupation.

THE WITNESS: Norman M. Dean, 1814 Montview Boulevard, Greeley, Colorado. I am President of the United Bank of Greeley.

Q. (By Mr. Metzger) How long have you held that responsibility, Mr. Dean?

A. Since 1964.

Q. Mr. Dean, has your decision to grant or deny credit, to set a given rate of interest, to charge or to pay, ever been affected by the prospect that you might thereby induce First National Bancorporation to apply for and secure a charter to operate a bank in Greeley?

A. No.

MR. METZGER: Thank you. No further questions.

I am advised I should ask one further question.

Q. Mr. Dean, do you belive that there is room for another downtown commercial bank in Greeley?

A. No, sir.

MR. METZGER: No further questions.

[774]

CROSS-EXAMINATION

By MR. BRENAN:

Q. Mr. Dean, is your bank a member of a holding company?

A. Yes.

Q. What holding company?

A. United Banks of Colorado.

Q. Now, Mr. Dean, could you state the geographic area in which your bank draws the bulk of its business?

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[775] A. Our primary market is the City of Greeley.

Q. Now, are you aware that the First National Bank of Denver has customers in the City of Greeley?

A. Yes, I am.

MR. METZGER: Your Honor, I must continue to object. It's clear from the question and the first question and the answer it is outside the scope of direct examination here and we're getting much further afield.

MR. BRENAN: I submit it's not, Your Honor. That Mr. Dean's knowledge on this—these subjects could influence his decision in serving the people in the market.

THE COURT: The answer to this next one is obvious, I suppose, isn't it?

Go ahead and answer.

A. Yes.

THE COURT: Okay. I would assume he would know that. What are you getting to?

MR. BRENAN: I think the next question could establish——

Q. Mr. Dean, are you aware that, if your pricing gets too far out of line, that the amount of business the First National Bank of Denver does in Greeley could increase?

A. I presume that's possible, yes.

THE COURT: You mean at the present time?

[776] THE WITNESS: Yes, sir. That is—that assumes that there is an active competitor in the Greeley area, that the First National Bank is——

Q. So, just so you know what the question is, I think——

A. I think the question that was asked was if my pricing were to become, let's say prohibitive, was it possible that the First National Bank of Denver might be a more direct competitor. I suppose any bank in the state could become a more direct competitor if I were to price my product, money, too high. You're asking what I think is a very highly theoretical question, but I will do my best to answer it, sir.

THE COURT: Well, the First National—I don't particularly like these left-handed questions, you know, or back-door ones. I prefer to hit it head on.

Isn't First National an active competitor in your community with your bank?

THE WITNESS: No, sir.

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[777]

REDIRECT EXAMINATION

By MR. METZGER:

Q. Mr. Dean, you stated on cross-examination that you viewed your most direct market as being the City of Greeley. [778] Do you think the market of your bank has changed substantially since 1965 when the bank was acquired by the United Banks of Colorado? Do you think the market being served has changed substantially?

A. Primarily, no, sir.

Q. So that, if your application to acquire the First National Bank of—to acquire the Weld County Bank stated that 18 percent of the deposits and 21 percent of the loans of the Weld County Bank were obtained from outside the "Greeley area," you would say that that probably obtains today, if it obtained then?

A. Yes.

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[779]

DALE R. HINMAN,

a witness called by and on behalf of Defendants, having first been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

By MR. METZGER:

THE COURT: Take the witness chair and state your name, address and occupation.

THE WITNESS: Dale R. Hinman, 1926 Glenmuir Boulevard, Greeley, Colorado. President of Greeley National Bank.

Q. (By Mr. Metzger) How long have you been President of the Greeley National Bank, sir?

A. Since 1959.

Q. Mr. Hinman, has your decision to grant or deny a credit, to set a given rate of interest, to charge or to pay, ever been affected by the prospect that you might thereby induce First National Bancorporation to apply for and secure a charter to operate a bank in Greeley?

A. No, sir.

[780] Q. Do you believe that there is room for another downtown commercial bank in Greeley?

A. No.

MR. METZGER: No further questions.

CROSS-EXAMINATION

By MR. SCHOEPKE:

Q. Mr. Hinman, do you mean to say that in conducting your day-to-day operation up in Greeley that you take no account at all of what the banks in Denver are doing?

A. No, I don't mean to say that.

Q. Well, I wonder if you would tell us then, do what the banks in Denver are doing have any effect on your carrying on of your business?

MR. METZGER: Objection, Your Honor. This is not directed to the inquiry on direct examination.

MR. SCHOEPKE: Your Honor, I think that the question went to whether or not he was in any way influenced, and I just think that this is a logical question.

THE COURT: Influenced by the possibility or likelihood that the First National Bank would come into Greeley in making a loan or making any other banking decision?

MR. METZGER: Yes, Your Honor, the witness is equally affected by what the First National City Bank does in New York, but that has nothing to do with the question asked on direct examination.

[781] THE COURT: I agree. Sustained.

Q. Mr. Hinman, are you aware that the First National Bank of Denver solicits business to some degree up in Greeley?

A. No.

Q. You have no knowledge at all that they have loans or deposits originating from Greeley?

A. That's a different question.

Q. Well, would you answer the second question.

A. Yes, they have loans.

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[782] REDIRECT EXAMINATION

By MR. METZGER:

Q. One question, Mr. Hinman. Do your loans in other

sections of Weld County constitute a substantial portion of the loans in that area?

* * * * *

A. I think I know what he means, but I wouldn't have the information to be able to answer that.

Q. You wouldn't know?

A. No.

* * * * *

[783] ROBERT M. GILBERT,

called as a witness by the defendants, being first duly sworn, on his oath testified as follows:

THE COURT: Mr. Gilbert, please state your name, address and occupation.

THE WITNESS: Robert M. Gilbert, 1506 47th Avenue, Greeley, Colorado, president of the First National Bank, Greeley.

DIRECT EXAMINATION

By MR. METZGER:

Q. How long have you held that office, Mr. Gilbert?

A. Since May 1, 1963.

Q. Mr. Gilbert, has your decision to grant or deny credit at a given rate of interest to charge or to pay ever been affected by the prospect that you might thereby induce First National Bancorporation to apply for and secure a charter to operate a bank in Greeley?

A. No, sir.

Q. Do you believe there is room for another commercial bank in Greeley?

A. No, I do not.

[784] MR. METZGER: No further questions.

CROSS-EXAMINATION

By MR. SCHOEPKE:

Q. Well, Mr. Gilbert, just to fill out the record, you are the president of the First National Bank of Greeley, which is the subject of this litigation and is the subject of the proposed purchase by First National Bancorporation of Denver, is that not correct?

A. Yes, sir.

* * * * *

[785] LARRY DEBELL,

called as a witness by the defendants, being first duly sworn, on his oath testified as follows:

THE COURT: Please state your name, address and occupation.

THE WITNESS: Larry DeBell, 5024 West 34th, Denver, Colorado, and I am senior vice president and director of personnel at First National Bank of Denver.

DIRECT EXAMINATION

By MR. WILLIAMSON:

Q. Mr. DeBell, what is the function of the personnel department at the First National Bank of Denver, First National Bancorporation?

A. The function is to primarily provide support services for all of the departments in the bank, those support services to attract, develop and retain management and clerical staff.

Q. Do you have an opinion as to whether or not you can characterize the First National Bancorporation as being people [768] oriented?

A. Yes, I think I can say that, definitely.

Q. What are your support services designed to accomplish?

A. Primarily to provide management succession, for one thing. Secondly, to train and develop the entire staff, to promote the well-being of the bank, and to understand the complexities of the law, to understand the complexities of the technical changes that go on in each individual department.

Q. Well, in addition to the staffing functions of both the officer and nonofficer categories are planning and control major considerations of the personnel department?

A. Yes.

Q. Would you please amplify upon that.

A. Well, planning and control takes on several aspects, the planning and controlling and the delivering of competitive wages, competitive benefit structures, the planning and controlling of training and education, so that we foresee the needed management that will be needed in the future so that we control our staff to progress into certain high level jobs that will maintain the——

Q. Is a continuing educational program deemed to be a necessity by your employer?

A. Yes, absolutely. We have a whole division of the personnel department dedicated solely to the training and [787] education of all levels of our staff.

Q. Is it fair to say that the skills are continually updated?

A. Yes, the major skills or the major educational processes are continually updated, and it is a constant every day kind of process as it goes on.

Q. Are any of these personnel functions and support functions translatable into affiliated members of the holding companies?

A. Yes, we can provide that same type of service for our affiliates and have in many cases. Many of the staff that were trained and educated within our group are now members of the affiliated banks.

Q. How are these functions today generally handled by country banks?

MR. BRENAN: Excuse me, Your Honor, I might object. There is no foundation as to how Mr. DeBell would know as to how country banks would handle these functions.

THE COURT: Do you know about this? Do you know the answer of the question?

THE WITNESS: I think from being a member of the American Bankers Association, Personnel Administration and Management Development Committee, for three years, I have had an opportunity to talk to small banks throughout the United States on many times.

[788] THE COURT: All right, go ahead.

A. Yes, I think in most banks the smaller banks and those that I have visited personally in the state and those that I worked with through the American Banks Association Personnel Administration and Management Development Committee, it is a part-time situation of an operating officer. Thereby the people planning activities are really a necessity of operational expediency, as you might call it. That is, there really isn't a lot of people planning, and it is a part-time situation so the operational kind of things that go on in banks take precedence over the people planning, so there is really very little of this in country banks.

Q. What would you consider the First National Bancorporation's advantage over the small banks in handling this problem?

A. Well, I think in each area that we break into as to training and education and employment services and payroll and benefit administration that we have experts in the field. We have people who are totally dedicated to each separate area and may become specialists in their field and can stay abreast of the new techniques in training and education, for example, can stay abreast of the laws, particularly those developed for the public good, you might call them, the civil rights legislation, the equal pay act, and so we really get a handle on these type of things that we can pass on to [789] affiliates.

Q. What would you say are the major advantages that might accrue to a bank joining a holding company such as the First National Bancorporation?

For example, do you have a complete benefit package?

A. Yes, I think in each area that we have—well, in the wage and benefit administration we have a complete integrated benefit package, payroll package, that's updated annually and at least every five years we bring in a team of experts not only from the bank but from the outside to assist us in bringing us to date on all the latest kinds of benefits and payroll administration ideas, and so we can restructure at least every year on a more formal basis or on a less formal basis every five years, and I think, secondly, they are staying abreast of the legislation, wage administration, that affects personnel administration, is merely a full-time job and I think we can bring this to——

Q. Is this your standard approach to benefit administration interpretation?

A. I don't think in most banks you would call it a standard approach. I think in many of the larger banks, but I think payroll——

Q. I am specifically keying my question as to whether this is a standard approach that you would make available to a member which became affiliated with your holding company.

[790] A. Oh, yes, which we do now, yes.

Q. Is part of your wage administration view implemented by a formal job evaluation program applicable to nonofficer jobs?

A. Yes, we have had formal job evaluation for many years, and it too is updated as needed and just was as recently as last October an entirely new plan was imple-

mented for the clerical, the technical and professional and supervisory staff, nonofficer staff.

Q. Do most small banks operate without a formal job evaluation plan?

A. Most of the small banks that I have come in contact with do not have a formal job evaluation.

Q. Is one of the aspects of the formal plan facilitating meeting requirements of federal equal pay for the equal work law?

A. Absolutely.

Q. What is the major thrust in developing community resources for applicants as vacancies occur on your staff of both First National Bancorporation and its affiliated members?

For example, do you have a substantial applicant referral service?

A. Yes, we have a number of ways that we do that. We do it by association with public and private employment agencies. We do it by association with a number of social agencies that [791] are interested in placing personnel into the banks. We particularly have been very active in the National Alliance of Businessmen's Jobs program, which seeks to take the hard core unemployed and place them in industry. We have been quite active in that since it was formed in Denver and have been a member of that for four years, so the development of the community resources is a responsibility of the employment services and one which I actively engage in, too.

Q. Does the employment services division assist in the application of Title 7, Federal Civil Rights legislation of 1964?

A. Yes, the employment services division is charged specifically with that. I am delegated as the officer to run the program, but the employment services we have one person who concentrates in developing the minority community resources and employment of the minority community and getting them trained and on our staff and counseling with them on job counseling.

Q. Is it fair to say that you thereby protect the rights of the applicants and the staff members under Title 7 legislation?

A. I think we do a good job with that, yes.

Q. Do you have an alternative action program—affirmative action program, excuse me?

A. Yes, we have an affirmative action program which is [792] required by the Equal Employment Opportunity Section of the Treasury Department. It has been active and fully implemented as far as we are concerned at this point.

Q. What role does your separate education and training division play in providing educational opportunities for minority members?

A. Well, of course, our policy generally are across the board. Anyone that is a staff member of our bank can take advantage of all the educational opportunities. To name a few, we have all—all people who work in our bank without high school degrees can come in on company time and we bring teachers over from Opportunity School. We help them study the specific courses and then they can go to Opportunity School and take their examinations and get a high school diploma, for example.

The banking industry, in addition, has an organization called the American Institute of Banking. It is the largest educational association in the United States, and all one need do is to have a membership and we will pay half of that, attend the classes and pass and then the bank will pay the entire fee for that kind of thing.

In addition, we have what I think are some unique programs in supervisory awareness programs, that is keep our staff aware of the needs and desires of all people that are in an integrated staff, as we have.

[793] Q. It is your opinion then and is it a fair conclusion that the results of these various programs that are people oriented are that you are not only able to attract all people based on their individual skills and in short retain them, retain them for the bank?

A. Yes, I think we have that.

Q. Is one of the problems, on the other hand, the small country bank's problem is its ability to maintain continuity and depth of management?

A. It would be my opinion that's true.

Q. Is one of the advantages of the fact that you have a holding company structure the ability to have transfers between organizations?

A. Yes, I think all of our policies and all of our programs and all of our benefits, our wage administration, our

pension plan, profit sharing, are all under the umbrella of the holding company. Thereby we have the flexibility of transferring or offering the transfer of any affiliate within that organization without losing seniority, without losing title, without losing any of the benefits, so it is a very flexible umbrella whereby people can transfer.

Q. Have you from time to time had any compliance review with respect to the civil rights legislation?

A. Yes, we just recently completed a compliance review with the Treasury Department.

[794] Q. Is it your policy to simply meet the minimum compliance, or in the words of the Secretary of Treasury, do you walk that extra mile?

THE COURT: Oh, brother.

MR. WILLIAMSON: Your Honor, I have here—that language is not mine, but David Sawyer, Director of the Equal Opportunity Program.

THE COURT: Well, do you want to answer that?

A. Well, I think we have that reputation generally, in that we have made special efforts and that we did get started very early in the game, long before civil rights was actual law, to provide this type of integration, yes.

MR. WILLIAMSON: Mr. Schoepke has made a very good suggestion. Since I have made reference to it, I would like to mark for identification a letter dated April 26, 1971, David A. Sawyer, Director, Equal Opportunity Program of the Office of the Secretary of the Treasury, to First National Bancorporation, First National Bank of Denver.

* * * * *

[795] THE COURT: It will be received.

(Defendants' Exhibit 79 for identification was received in evidence.)

Q. Do you have an opinion as to whether or not these various people oriented services, this people oriented capacity of the First National Bancorporation, First National Bank of Denver, as to whether or not this could be transferred to correspondent banks?

THE COURT: He has already answered, it seems to me, haven't you?

THE WITNESS: He asked about affiliated banks, the first

time, Your Honor. I think this time he is talking about correspondents.

THE COURT: Okay. Be very difficult, I suppose?

A. Very difficult and in a very, very limited way, because there is really no follow-up in this kind of thing, that's right.

MR. WILLIAMSON: I have no further questions, Your Honor.

CROSS-EXAMINATION

[796] By MR. BRENAN:

Q. Mr. DeBell, in connection with the last question, isn't it true a number of the things you have mentioned are offered as services to correspondent banks, for instance, the pension and profit-sharing plans and the like?

A. By our bank? No.

Q. Yes.

A. No.

Q. Your correspondent bank department does not offer that service to correspondent banks?

MR. METZGER: Objection, Your Honor. The correspondent banking department of the First National Bank of Denver offers no services at all.

[797] THE COURT: At all? None at all?

MR. METZGER: None at all.

THE COURT: Does that answer your question, you think?

THE WITNESS: We do not offer pension and profit-sharing services to any correspondent bank.

MR. METZGER: Your Honor, so the record may be clear on this point, the Trust Department of the First National Bank of Denver is a substantial seller throughout the United States of pension and profit-sharing plans for the benefit of customers of whatever kind, wherever located, who wish to buy pension plans. But this has nothing to do with this witness's testimony with regard to his pension and profit-sharing plans.

MR. BRENAN: Perhaps there was some confusion.

Q. Do you know whether the correspondent department through the Trust Department of First National Bank of Denver assists the country banks in establishing pension and profit-sharing plans?

A. In a general way I'm aware of that.

Q. Are you also aware that the correspondent department

of the First National Bank of Denver, through itself or through another department of the bank, offers a personnel placement service to correspondent banks?

A. I'm not aware that it's a formal personnel placement [798] service, no.

Q. But they do offer some kind of assistance in getting personnel for corespondent banks?

MR. WILLIAMSON: I'm going to object to the question as being very vague, unless counsel can be more concrete in what he's asking.

THE COURT: Overruled. If he can't answer, he can say so.

A. I'm aware that, as resumes come in the bank, that if we get the permission of that person sending the resume to distribute his resume to a correspondent bank so that, you know, we're aware if there is an opening in Glenwood Springs and they say, if you get any applicants, then we would ask the applicant if it's all right to forward that or photostat that. But that kind of service only which is not a very formal type of program at all.

Q. Well, are you personally aware specifically of services of the correspondent—that the correspondent banking department offers to its correspondents? Or is that outside your bailiwick?

A. Well, I'm more familiar with the lending functions because I am a former commercial loan officer and through that medium I do know of their lending functions.

Q. But you don't have specific knowledge as to all of the services offered correspondent banks?

[799] A. Well, I have been away from that for nine and a half years so I'm not fully aware of them.

Q. Mr. DeBell, do you consider the First National Bank of Greeley a small bank?

MR. WILLIAMSON: Objection, Your Honor. This is beyond his capacity.

MR. BRENAN: On direct he was constantly referring to small banks.

MR. WILLIAMSON: He was referring to country banks.

THE COURT: Overruled.

Q. You may answer.

MR. WILLIAMSON: If you know.

A. Well, there are some 14,000 banks in the United States

and where they stand in the hierarchy of banks in terms of —I don't know specifically what frame of reference you have.

Q. Well, my frame of reference was on direct examination a number of times the term small bank was brought up with regard to whether or not they provide the kind of services that your department provides the First National Bank of Denver.

MR. WILLIAMSON: Objection.

A. Small, in terms of number of people, is my frame of reference.

MR. BRENAN: No further questions, Your Honor.

[800] MR. WILLIAMSON: No questions.

THE COURT: You may be excused.

(Witness excused.)

MR. CLOSE: The defendants would like to call Ronald C. Harris to the stand.

RONALD C. HARRIS,

a witness called by and on behalf of defendants, having first been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

By MR. CLOSE:

THE COURT: Give us your name, address and occupation, please.

THE WITNESS: My name is Ronald Harris. I live at 3025 South Race in Denver. I am a Vice-President of the First National Bank of Denver, where I have been employed for 15 years. I am in the operations and administration department directly responsible for the operating and administrative divisions. I report directly to the senior vice-president and cashier who is the department head of that department.

Q. Thank you, Mr. Harris. Are you well acquainted with the function of the administrative and operations department of the First National of Denver?

A. Yes, I am.

Q. Would you in your own words then briefly tell us [801] about these functions?

A. Yes. The administration part really refers to what I would term administrative services. Administrative services being the purchasing, the insurance portfolio, the maintenance department, PBX, various administrative services that cut organizational lines. The operations functions can be divided, I think, in four divisions: one would be the data processing division. That division is primarily responsible for providing data processing systems and services. The check processing division is a division that is primarily responsible for clearance and collection of—primarily for our corporate and individual customers' checks and, in addition, clearance for bank customers.

The bookkeeping division is the division primarily responsible for the maintenance of our customers' checking accounts and preparation of statements.

And the customer services division, which is primarily responsible for new accounts, tellers, various customer contact areas in the bank.

Q. Thank you, Mr. Harris.

Are you in general acquainted with the parallel functions of your department at the First National Bank of Greeley?

A. Yes.

Q. Now, then, Mr. Harris, assuming the acquisition of [802] the First of Greeley is permitted, what advantages in the area of administration and operations would accrue to the First National Bank of Greeley which are not now present as a result of the mere correspondent relationship which exists?

A. Well, I think—let's see. Let's start with data processing. I think in the data processing area there are probably many. But a couple of things that come to my mind are our general ledger system that we have developed with the accounting division or the accounting division developed with the data processing division which is the general ledger system that was developed primarily for the First National Bank of Denver and other affiliate banks of the First National Bancorporation.

This system was not designed as a service we would offer to correspondent banks, as others are. But it is a system that we think would be of substantial help to the First of Greeley in knowing their financial position on a daily basis.

Another system in the data processing area that comes to mind is our cost accounting system, again developed with

the accounting division, and that is a system that was designed primarily for the function of the First National Bank of Denver, again, not with any intent of offering it to correspondent banks but as a system that enables the department head or division head to know current costs of [803] operation in his department on a detailed basis. Also, working as a budgeting tool so that they can budget, show actual expense and show variances. I think, for example, these two systems can provide a bank like the First of Greeley with some knowledge and that it will better help them operate the bank. Of course, the benefits of that would then accrue to the customers of the bank.

In the administrative area, I think that we could provide some real assistance to the First of Greeley in the area of equipment purchases. We have people that spend nearly full time reviewing equipment that is available on the market, the price of that equipment, what equipment fits specific operating needs best and because we have people do this full time, our knowledge about what equipment is available on the market and the prices of equipment are firsthand to us. I think we could pass some of this knowledge on to the First of Greeley.

Naturally, you know, if we can help them find some equipment that will do better jobs for them in specific areas, help them improve their operations, then this might help them to stabilize operating costs and pass these benefits to all of their customers in the Weld County area.

Q. Mr. Harris, if I may, would you also do this for nonbank customers?

A. As a practical matter, no, because we are not [804] really in the business of equipment consultation to other banks. So we really—we don't do that as a practical matter for other banks at all. There might be an example, certainly, where an equipment salesman who was overzealous or anxious to sell equipment might be in another bank selling his equipment and ask that banker to call us for a recommendation saying, "We understand you bought that equipment. Do you like it?" Certainly, we don't refuse to answer in those cases. But we don't offer this as a consulting service.

Another thing in the administrative services area I think is our insurance package or portfolio or policies. Insurance in banks is a big item. It's important to know what insurance you have, to be certain you have the right coverage, that you know where to get, you know, insurance, and a lot

of times it's difficult for banks, I'm certain, to be fully aware of all of the coverages they should have to protect the bank and its depositors' money. We again have people that spend full time in the area of insurance in our bank that are aware of what insurance coverages banks should have, where they obtain the insurance, what they should pay for it, what proper coverage is, and again I think this is something we could pass on to the First of Greeley. But, again, we don't offer this as a service to other banks. We are not in the business again of insurance counseling. But I think this is a significant area that we could help [805] the First of Greeley to be certain that they are in good shape on their insurance program.

In addition, in the administrative services area, I think of the security facet. Security of banks today is an important item, with civil disorder, with attempted robberies, with robberies, with fraud, with people passing bad checks, losses that banks are experiencing. We have two full-time people in the area of security that are responsible for maintaining our security systems in the bank, our protective systems. They really spend full time working out procedures for cashing checks of customers and for opening new accounts. These are continually brought up to date and to see that they are in good shape. It's an important item, I think, for banks today. Again, this is something we could help the First of Greeley with, a service to help them with their protective procedures, their alarm systems; all kinds of things in their banks that would help them in a security matter. Again, we don't offer security procedures or services as a consulting service to other banks. We're just not able to do that. And I am not certain it would be profitable for us to do that. So we are able to provide this for our bank and members of the Bancorporation. I think, in addition to all those things I have mentioned, just the general area of helping to train and help people and help to install operating systems or any new ideas in operations in a bank [806] like the First of Greeley, is something that we can do in the operations area of our bank. We have people experienced and trained in specific areas of bank operations who have had many years of experience who have implemented new systems. I think we can pass these on to people to the First of Greeley.

One last thing in addition to all those would be the auditing function. Auditing works very closely with operations

in a bank in that the auditors really evaluate and perform the check and balances systems of the operations department's procedures and systems. The auditors are aware of the systems and procedures and whether or not there are loopholes in them; whether or not there are ways that fraud can occur, et cetera. So, the auditors really work very closely with the operations people in helping the operations people maintain good systems and good procedures. And, that will protect our depositors' money.

We have a depth of knowledge and experience in our auditing division and I think our auditors could be of great help to the auditors at the First of Greeley. Again, providing an auditing service is not something that banks normally offer to other banks and we certainly don't, to correspondent banks or anything. We just don't have the staff or intend to offer those kinds of services. But, banks within a bank corporation—I think this is definitely [807] a service we could offer to the First of Greeley.

Q. Is there anything else in that area that you wish to speak about, Mr. Harris?

If not, thank you very much.

MR. CLOSE: Your Honor, we have no further questions.

CROSS-EXAMINATION

By MR. SCHOEPKE:

Q. Now, sir, you have been testifying about various benefits that you think you would be able to give to the Greeley bank should there be this affiliation. I would ask you—how familiar are you with the services offered by the correspondent banking department?

MR. METZGER: Objection. Counsel is trying to characterize something to which there is no evidence. There are no services of the correspondent banking department. There is nothing in this record to support it, that the correspondent banking department offers any services to the banks other than the services of Mr. Harris and his operation. If he wants to speak to this, then let him speak to that question without going around O'Leary's barn.

MR. SCHOEPKE: Well, he has mentioned on several occasions, Your Honor, some of the advantages that he says accrue to—and he has mentioned that this wouldn't be available quite as good under the correspondent banking [808] department.

THE COURT: He didn't say that.

THE WITNESS: I don't think I said that. I said they don't offer any of these administrative services.

MR. SCHOEPKE: —to correspondent banks. So, you might ask him whether there are any administrative services he is offering to correspondent banks. Then, we would be on track, I believe.

Q. Well, are you familiar with any of these services that are offered by the bank to its correspondents?

A. I am not really sure I understand your question. Do you mean—Well, maybe you can restate it.

THE COURT: Does the bank offer any administrative services whatever to correspondent, underline, banks?

THE WITNESS: No.

Q. (By Mr. Schoepke) You mentioned data processing as one of the features that you thought would be a beneficial one. Are you aware of the fact that—I mean do you know whether or not Greeley—the First National Bank of Greeley has facilities to data processing?

A. They do not have their own data processing facilities.

Q. Well, that is not my question. Do they have availability to data processing services?

A. From another bank?

[809] Q. Yes.

A. Yes, they do. All banks in the state have that availability.

Q. Are you aware of the fact that they have a data processing of doctor bills which is run by an outfit here in Denver called Medak?

A. No, I am not.

Q. But Greeley does not have to depend upon the First National Bank for data processing? There are many other organizations in that field, are there not?

A. Yes, there are other banks and services that provide data processing services in the state.

Q. I would ask you if you are in any way, in your preparation for your testimony here—did you have any occasion to read over the defendants' answer to Interrogatory 22? This is now just for identification. Subparagraph C, of which says, "Describe each correspondent service offered by each Bancorporation subsidiary bank to each of its correspondent bank customers in each of the years 1967,

1968, 1969, and 1970 to date." Did you by any chance review that interrogatory answer, Number 22?

A. No, sir, not to my knowledge.

Q. And I might just say for further identification, it is Plaintiff's Exhibit Number 26 in evidence.

May I show it to you and ask you if you have looked at it?

[810] Q. I show you now, Mr. Witness, Plaintiff's Exhibit——

MR. METZGER: Mr. Harris.

Q. ——Number 26 in evidence and ask you if you reviewed that document in any way in connection with the preparation—with your preparation to take the stand this morning?

A. No, I did not.

Q. Now, the advantages that you have been telling us about this morning, sir, have been concerned with the advantages which you think First National Bank of Denver would give to the Bank of Greeley, is that not correct?

A. Yes, I think I was speaking to the advantage of things we could offer.

Q. Advantages to the bank rather than advantages to the public?

A. Well, I think that some of the advantages I spoke to would accrue to the customers of the First National Bank of Greeley.

Q. On a trickle-down theory?

A. I didn't say trickle-down theory. I'm not sure what you mean by that. I said, through improved operations.

Q. Do you feel that these advantages to the bank would ultimately reach the public?

A. I said the customers of the First National Bank of Greeley in the—and the Weld County area.

[811] Q. But the fact remains, does it, that the specific immediate advantages that you have been talking about here are designed for the benefit of the banks, isn't that the case?

A. Well, no, I'm not sure I really said that. I said that, by, you know, improving information availability to the people that run the bank, by improving the security systems, other things of that nature, you know, that helps the bank in its operations, which in turn accrues to the benefit of the customers of the bank. That's what I said.

[812] Q. That's an assumption on your part, is it not?
A. That's my opinion.
Q. The last part?
A. That's my opinion.

MR. SCHOEPKE: No further questions, Your Honor.

REDIRECT EXAMINATION

By MR. CLOSE:

Q. I just have two questions. I wasn't sure whether you answered Mr. Schoepke's question yes or no. I thought you answered a certain question no, which I think probably in your view you might care to revise, and the direct question is does the First National Bank of Denver in the area of data processing provide data processing to correspondent banks and others?

A. Yes, they do. I got confused on that, because I thought the question was asked "Do you provide administrative services?" As I have been speaking to administrative services, I was speaking to insurance, purchasing and securities. When I spoke to operations functions, I included in that, not in administrative, data processing, and we most certainly provide data processing service.

Q. And one last question. Are there any nonbank organizations which you know of which provide data processing to banks or could so do?

A. Yes, there are.

[813] MR. CLOSE: No further questions.

THE COURT: Do you object to Mr. Harris being excused from further attendance?

MR. SCHOEPKE: No objection, Your Honor.

THE COURT: You may be excused.

(Witness excused.)

MR. METZGER: Your Honor, we call Mr. Richard Brown to the stand.

THE COURT: Will Mr. Brown's testimony be lengthy?

MR. METZGER: No, Your Honor.

THE COURT: Good. Come forward, Mr. Brown, please.

RICHARD P. BROWN

called as a witness by the defendants, being first duly sworn, on his oath testified as follows:

THE COURT: Please take the witness stand and give us your name, address and occupation.

THE WITNESS: My name is Richard P. Brown. My address is 3403 South Race Street, Englewood, Colorado. I am senior vice president and executive trust officer of the First National Bank of Denver. I am also a member of the board of directors and the executive committee of the bank, and I am a member of the board of directors of the First National Bancorporation.

DIRECT EXAMINATION

By MR. METZGER:

[814] Q. Mr. Brown, you are head of the trust department of the First National Bank of Denver?

A. Yes.

Q. Do you also hold any position in the American Bankers Association?

A. I am the president of the Trust Division of the American Bankers Association.

Q. Could you tell us, Mr. Brown, how large your department is at the First National Bank of Denver and what it generally does.

A. We have about 203 officers and employees. Of that number 37 are officers of the bank. We handle about 4800 accounts in the trust department. Of those we have full or partial investment responsibility for about 3600. The total assets of the trust department with respect to which we have some degree of investment responsibilities are approximately 636 millions, and we have in addition to that in accounts where we have no investment responsibility approximately 1 billion in assets within the department.

Q. What do you call accounts to which you have no investment responsibility?

A. Safekeeping, custody, escrows.

Q. What kind of services do you offer to the general customer, sir?

A. Well, we think we offer the entire gamut of trust [815] services. In the field of what's commonly called personal trusts, we act as executor or administrator of decedents' estates, as trustee under a will, as guardian or conservator of the estate of persons under legal disability. We act as trustee under agreements, so-called living trusts, trustee under insurance agreements. We act as investment management agents for both individuals and for corporations. We

act as trustee under business life insurance trusts. We act as custodian or safekeeping agent for the securities of individuals. In the corporate field we act as stock transfer agent, registrar, trustee under corporate indentures, as paying agent for bonds, dividends paying agent for corporate stocks. We act as depositary under plans of corporate reorganization or where exchanges of one security for another security are proposed or carried into effect. We act as depositary for the redemption of corporate securities. We counsel with customers, their attorneys and other advisors, with respect to the planning of their estates and their financial affairs.

Q. Mr. Brown, do you have any trust business from Weld County?

A. Yes, sir.

Q. How many accounts would that be, sir?

A. I think we have about 13 accounts.

Q. Do you solicit business from Weld County?

A. Not actively, no, sir.

[816] Q. Why not?

A. As a general rule we have found that the business that we would like to have from Weld County comes to us fundamentally because of the recommendations of attorneys or other business advisors in Weld County, and that in the area of small businesses it has been our general experience that individuals living in Weld County would prefer to do their trust business with banks in that county.

Q. Would it be economical for you from the First National Bank of Denver to seek to solicit that business in Weld County?

A. Not in the broad sense, no, sir.

Q. Do you run into any problems in agricultural areas of the state with regard to their attitude toward Denver banks?

A. Well, I would just repeat we have generally found they prefer to do business with banks in their own communities.

Q. Mr. Brown, have you had an opportunity to examine the trust department of the First National Bank of Greeley?

A. I have, sir.

Q. And could you tell us, sir, whether or not in your judgment this trust department is adequate to the needs of Weld County?

A. I don't feel that it is. The trust department calls for

a substantial number of skills and the revenue that's produced by the trust department of the First National Bank of [817] Greeley isn't adequate to permit them to employ the people with a range of skills that I would feel are needed for proper handling of trust business in that community.

Q. Would you take it as a personal responsibility to upgrade those skills should the First National Bank of Greeley become affiliated with the First National Bancorporation?

A. Yes, sir, we feel we could help the First National Bank of Greeley very materially in the trust area.

Q. Do you feel that this help could be given to a correspondent upon the same order of priority?

A. No, simply because of the fact that they were a correspondent of the First National Bank of Denver, no.

Q. That a correspondent relationship is not lendable to the kind of aid that you are referring to?

A. It is not a part of the correspondent relationship as we see it, Mr. Metzger. The relationships of bank's correspondents are with the correspondent bank department of the bank. They are not with the trust department. They do not involve commitments to counsel or to assist the trust department of the correspondent bank.

Q. You do not view this as a function of your department?

A. No, sir.

MR. METZGER: No further questions.

CROSS-EXAMINATION

[818] By MR. BRENAN:

Q. Mr. Brown, are you aware that the First National Bank of Greeley advertises that it offers a complete line of trust services?

A. No, I'm not.

Q. Mr. Brown, do you or anyone else in your department ever have any contact with someone in a correspondent bank with regard to trust services?

A. Yes, we do.

Q. So, then it would be fair to say that you do advise correspondent banks in these matters.

A. Upon their request and as far as we are able to within reasonable limits.

Q. Mr. Brown. I believe on direct you stated that the trust department of the First National Bank of Greeley is not adequate to meet the needs of Weld County, but you also

stated that the people in Weld County like to deal with the banks in their community for trust services. In this connection, how would you square those two statements? Wouldn't it then be adequate to the needs of Weld County?

A. No, I don't believe so. In the investment field, for instance, the First National Bank of Greeley does not have a trained investment man. They do not have the sources of investment materials that we feel that a trust department should have. So far as I am aware of their investment performance [819] it has not matched that of banks which are better qualified and have better trained investment personnel. I think this is true of smaller banks in general. I suppose there may be what we would consider to be needs on the part of those who place funds for investment with banks of that size which conceivably the customers themselves are not aware of.

Q. Does not First National Bank of Denver offer an investment counseling service to its correspondent banks?

A. No, we do not offer such a service. We render it to one bank.

Q. Which bank is that?

A. That's the Greeley National.

Q. Do not Weld County residents at present have available to them for trust services the facilities of the United Bank of Denver through its affiliate in Greeley?

A. They certainly have available to them the services of the United Bank of Greeley. I do not know to what extent the United Bank of Denver supplies services to the United Bank of Greeley.

Q. Do you know to what extent the Affiliated Bankshares Corporation provides trust services through its local affiliates?

A. I do not.

Q. Do you know if Affiliated Bankshares offers any trust services through its affiliates?

A. I know that the Greeley National Bank, which is a [820] member of Affiliated Bankshares of Colorado has a trust department. That bank holding company is a composition of approximately 13 banks, as I recall it, and I have no awareness of the bank corporation offering any supplement to the trust services which are provided by the individual banks which it controls.

Q. In otherwords, you just don't know whether they do or do not, is that right?

A. That's right.

MR. BRENAN: No further questions.

REDIRECT EXAMINATION

By MR. METZGER:

Q. Mr. Brown, would it be fair to say with respect to correspondent banks, you respond to specific inquiries but offer no direct services generally?

A. That's right.

Q. And your relationship with the Greeley National investment advisory service is a special one unique to that particular bank in the entire country for your bank?

A. For our bank, yes. We have no similar arrangement with any other bank.

Q. Does this service arise out of in part the fact that you trained the senior trust officer of that bank?

A. That is so.

* * * * *

[823] JACK R. THOMAS

a witness called by and on behalf of the defendants, having first been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

By MR. METZGER:

THE COURT: Take the witness chair. State your name, address and occupation, please.

THE WITNESS: J. R. Thomas, 12925 West Sixteenth Drive, Golden, Colorado, 80401. My occupation is regional administrator of national banks, 12th National Bank Region, headquartered in Denver, Colorado.

Q. (By Mr. Metzger) Mr. Thomas, what is the function of a regional administrator of national banks?

A. The main function of the regional administrator of national banks is to assist the comptroller in supervising and regulating the banks in his particular region.

Q. And what is your region, sir?

A. It is composed of the States of Arizona, Colorado, New Mexico, Utah and Wyoming.

Q. How many people are employed in your region by the comptroller of the currency, Mr. Thomas?

[824] A. 91.

Q. And what functions do they generally perform?

A. We have 81 examiners in the field examining banks, investigating special situations. The remaining are employed in the Denver office, made up of typists, stenographers and staff men.

Q. And all of these are under your supervision?

A. Yes, that's right.

Q. In the course of this supervision, Mr. Thomas, is it part of your responsibility to familiarize yourself with the capability of the management of the banks under your supervision?

A. Yes, sir.

Q. And in the course of these supervisory responsibilities is it part of your duty to familiarize yourself with the level and the vigor of competitive activity in the communities in which you have banks?

A. Yes, sir.

Q. Mr. Thomas, as a technical matter, when a national bank is to be acquired by a bank holding company, do you have any statutory duties with respect to the competitive effects of that proposal?

A. Yes. It is up to us to furnish the comptroller of the currency in Washington our recommendations on the competitive angle of the application.

[825] Q. And did you make such an assessment of the proposed affiliation of the First National Bank of Greeley with the First National Bancorporation?

A. Yes, I did.

Q. What was that assessment?

A. My assessment of the proposed acquisition is that it would not be anticompetitive.

Q. Did you make an affirmative decision that it would be procompetitive?

A. I don't make the decision. I recommend.

Q. Pardon me, sir. Did you make an affirmative recommendation?

A. Yes.

Q. And was that recommendation based in part upon your judgment as to the management capability of the First National Bank of Greeley personnel?

A. Yes, it was.

Q. And what was that judgment?

A. It's my opinion that the management capability of the First National Bank in Greeley is weak in the matter of management succession.

Q. Beyond the first matter——

THE COURT: What was his answer as to whether he assessed the procompetitive aspect? Did you give an answer on that?

[826] THE WITNESS: I thought I did, sir.

Q. Would you repeat yourself.

THE COURT: Your answer was that it wasn't your job to make a decision.

THE WITNESS: Yes, I just recommended, Your Honor, and I recommended that it would not be anticompetitive. It would be procompetitive.

THE COURT: Okay.

[827] Q. And what is your judgment as to the quality of the management at the First National Bancorporation?

A. It is my judgment that they have excellent management.

Q. And do you believe that this affiliation will permit an improvement in the management structure of the First National Bank of Greeley?

A. Yes, sir.

Q. Was this one of the bases for your favorable recommendation?

A. Yes, it was.

Q. Mr. Thomas, I show you Defendants' Exhibit Number 28, and direct your attention to the number of banks in the State of Colorado between 1900 and 1920 and ask you to tell me how many banks there were in 1900?

A. 117.

Q. And how many in 1920?

A. 404.

Q. And what was the impact in the next ten years between 1920 and 1930 on the number of banks in the state?

A. It dropped down to 270 in 1930.

Q. And were there further failures between 1930 and 1940?

A. Yes, in 1940 there were 146 state and national banks in Colorado.

[828] Q. Did these bank failures have repercussions in the communities involved?

A. Yes, there are definite repercussions. There is loss to the stockholders, loss in confidence in banks in general, and not only in the particular community where a specific bank failed, but in the whole general banking community, throughout the state.

Q. Has the addition of the Federal Deposit Insurance Corporation alleviated this situation?

A. Somewhat. It helps the depositor who now—who has less than $20,000 deposited. It doesn't help the stockholder nor does it help the banking image.

Q. So that in your judgment failures are still an important community disaster?

A. Yes, they are.

Q. Is this probability of failure an important factor in your judgment on the granting of new charters?

A. Yes, that is considered and we call it—it is one of the important things.

Q. Who can grant a bank charter in the State of Colorado, Mr. Thomas?

A. The State Banking Board for a state-chartered bank or the Comptroller of the Currency for a national bank.

Q. I show you, Mr. Thomas, Defendants' Exhibit Number 39, which is a list of the deposits of all banks in the City [829] of Greeley between the years of 1950 and 1970, and I ask you to tell me whether or not the relative growth of the State Bank of Greeley since it was converted from an industrial bank in 1965 would be a factor in your judgment as to whether or not to grant a charter in the City of Greeley?

A. Yes, it would.

Q. Why is that, sir?

A. Well, we are not going to protect any bank from active competition. We are not going to subject a bank that is obviously having difficulty amassing deposits to another new entrant. It would have a very definite impact on our decision.

Q. In assessing the competitive effects of this proposed acquisition, Mr. Thomas, did you find it necessary to evaluate the prospects of the grant of a de novo charter in Greeley, Colorado?

A. Yes.

Q. And what was your judgment as to the prospects of your recommendations with regard to a proposed de novo charter in that community?

A. It was part of my recommendation that I could not see a need of a new national bank in Greeley.

Q. And immediately or in the foreseeable future or what period of time?

[830] A. Not in the foreseeable future. Definitely not immediately.

Q. And as to any date beyond the foreseeable future, about what time period do you call that?

A. Well, I think upward to five years is the foreseeable future in that particular area, from what I can view.

Q. And you would not care to make any judgments beyond that?

A. Well, then we will have to, if we get an application, take it as it comes and see what the circumstances show. No, I can't—wouldn't make a judgment beyond that, no.

Q. Now, while you are looking at Defendants' Exhibit Number 39, Mr. Thomas, could you tell us what has happened to the market share of the First National Bank of Greeley over the past 20 years?

THE COURT: What exhibit are you looking at?

MR. METZGER: 39.

THE COURT: Okay, go ahead.

A. In 1950——

THE COURT: Is this material that you have knowledge about from your work, this information?

THE WITNESS: Yes, sir, I have knowledge. I did not compute this, though.

THE COURT: You did not prepare this?

THE WITNESS: No, sir, I have general knowledge [831] about the market share.

THE COURT: All right.

Q. Will you tell us what the market shares were in 1950 and 1970 of this organization, sir?

A. In 1950, the market share of all banks in Greeley by First National Bank in Greeley was 49.8, and in 1970 it was 32.6. Those are percentages.

Q. And you were aware of this general decline in market position, were you not?

A. Yes, sir.

Q. And was this decline in market position a factor in your evaluation as to the strength of the organization in question.

A. Yes, sir.

Q. Now, sir, I believe you have addressed yourself to the question of the quality of banking competition in Denver. Could you tell us whether you think this is soft competition or strong competition among the larger banks in the city?

A. In Denver?

Q. Yes.

A. It is tough competition.

Q. Now, would you characterize the competition obtaining in the smaller cities in the state generally, not referring to any specific one?

A. There is competition there. I do not believe it [832] is at the same pitch or the same high level that the big banks have facing themselves in Denver.

Q. Then, Mr. Thomas, is it your judgment that a reasonable movement of the Denver holding companies across the state will have an improvement or a negative factor upon the competition obtaining in specific markets throughout the state?

A. Well, I think if the registered bank holding companies move throughout the state, they will increase and improve the competition in the various smaller towns throughout the state, amongst the banks, that is.

MR. METZGER: Thank you. I have no further questions, Your Honor.

[833] MR. METZGER: Your Honor, I do have one further question.

Q. Mr. Thomas, among the factors you considered in determining whether or not an area can appropriately sustain another banking unit, is the question of the number of people per banking office an important factor in that consideration?

A. Yes, sir.

Q. And you would place some substantial weight on that question?

A. Some, yes.

MR. METZGER: Thank you.

CROSS-EXAMINATION

By MR. SCHOEPKE:

Q. Mr. Thomas, Mr. Metzger discussed with you a bit

on the question of whether a bank failure and repercussions in the community and you indicated, I believe, that that was an important part of your consideration as to whether or not in a given situation you would recommend to the comptroller of the currency to permit new entry.

A. Uh-huh.

Q. And I believe that Mr. Metzger used the term community disaster to describe a bank failure, and I believe you agreed with that, did you not?

A. Yes.

Q. And isn't that generally considered in the banking [834] fraternity as a term of art that bank failure is a community disaster? Would you agree with that?

A. Yes.

Q. Now, then, in your function in recommending to the comptroller as to whether or not in a given situation you would recommend new entry, would you not say that the possibility that you have an interest in protecting the public against bank failures by having too many banks in that particular area?

A. Yes.

Q. And would you not say that the public, the community has a convenience and needs in avoiding the failure of a bank through the entry of too many banks or more banks than the market can support?

A. Convenience and needs to avoid? I don't——

Q. Is it not to the convenience and needs of the community to be served? Is it not in their convenience and needs to avoid bank failures through having too many competitors in the market? Would you agree with that?

A. Yes.

Q. Now, when Mr. Metzger first questioned you, Mr. Thomas, he talked with you about your function. Do you issue the charters that are given to national banks, you personally?

A. No, that's issued by the Comptroller in Washington.

Q. So I assume you and your assistants in your regional [835] office undertake the spadework and make reports to the comptroller in Washington?

A. That's right.

Q. And he may or may not accept your recommendation, isn't that correct?

A. Yes. We recommend. He decides.

Q. Now, this is obvious but—the comptroller of the currency in Washington can change at any moment, can he not?
A. I believe his term is—ends February, 1972.

MR. METZGER: The comptroller of the currency is a statutory five-year term, Your Honor.
MR. SCHOEPKE: Well, I wouldn't push it.

Q. He can find a better job tomorrow, can he not? In other words, you cannot speak for the comptroller of the currency right now, can you?
A. How long he's going to stay on the job?
Q. No, to whether or not he might issue a charter in any given situation.
A. No, it's my recommendation; his decision.

THE COURT: Are you directly under the comptroller?
THE WITNESS: Yes, sir.
THE COURT: Does he give you authorization to testify in these cases, specific authorization?
THE WITNESS: Yes, sir.
THE COURT: So you are here under his auspices then?
[836] THE WITNESS: Yes, I must—I am required to get his authorization, yes, sir.

Q. Now, have you made any blanket announcement as to whether or not there is room in Greeley for more banks?
A. No, sir.
Q. Now, supposing tomorrow you should get an application from some interested parties for a new bank in Greeley. What would you do? Would you just give it back to them and say there is no more room in Greeley for more banks?
A. Well, if they came to me first before they filed the charter, which we recommend, I think I would be negligent in my duty if I didn't tell them what I thought. Then—this is free enterprise. If they wanted to go ahead and file the charter, that was their privilege.
Q. And you would give the charter every consideration I would presume?
A. That's right.
Q. And make your recommendation to the comptroller of the currency and so forth?
A. Right.
Q. Now, in judging a charter in Greeley, would your judgment cover the entire area of Greeley? Or would your opinion as to the relative merits of the application vary

depending upon where in the Greeley area the application was made for?

[837] A. It would be for the Greeley area.

Q. Now, would you say that Greeley at the present time is overbanked?

A. I think it's adequately banked.

Q. Adequately banked? Would you be in a position to say whether or not in the event another entrant were licensed in the Greeley area as you have just described it, would you say that there would be a bank failure?

A. I would be in no position to judge that.

THE COURT: You get failures in areas in which the community is not overbanked, don't you?

THE WITNESS: Yes, sir.

THE COURT: Sometimes you get a failure in a town which has only one bank, I guess?

THE WITNESS: Yes, sir.

THE COURT: They come to my attention occasionally in various ways.

THE WITNESS: That's right.

Q. (By Mr. Schoepke) Well, confining yourself to what I believe is your situation, that Greeley is adequately banked, you—now, everything else being equal, would you say that the entry of a new bank in Greeley would in your opinion lead to a probable bank failure?

A. That's very hard to predict. I don't think I can honestly say that.

[838] Q. Now, in making your recommendation on Greeley, what standards do you use? What do you look into a town like Greeley when you decide whether or not there is room for a new bank?

A. First of all, the capital position required, the background, both biographical and financial of the officers and the proposed directors. We also decide on the convenience and public need for the bank and whether this bank if chartered can be expected to be operated profitably on available banking business in the near future. Those are the main general points.

Q. And in deciding these points do you look into the economic growth of the area?

A. Yes, that's part of it.

Q. And how do you use the economic growth in the area in your analysis?

A. Oh, we read it. We come to a conclusion on what the economic surveys show.

THE COURT: Is that what you mean?
MR. SCHOEPKE: Yes.

Q. Why do you use economic data in determining whether or not to allow a new bank in a market?

A. To prove or to at least suggest whether this bank if chartered can be run profitably once it's open, and available banking business.

[839] Q. In other words, if I may shorten it a bit—the rise in the level of activity you anticipate will be accompanied by a rise in the banking needs of the public, isn't that about it?

A. That's right. If the trends are pointed upward, chances are it will accomplish it.

Q. Whether there will be room for new banks?

A. That's right.

Q. Now, what kind of economic growth data do you consider when you are making your analysis?

A. It depends upon what the organizers want to give to us. Sometimes it's incomplete. Sometimes they're complete. Sometimes it's thorough; other times it isn't. To prove to us that the area can support the bank.

Q. Now, do you confine your analysis of the economic factors simply to what the applicants chose to give you?

A. No.

Q. Or do you go outside and conduct any independent investigation?

A. We send an examiner and an assistant into the field, into the spot where the bankers apply for.

Q. I see. Well, I wonder if I could show you a few of plaintiff's exhibits in this case and ask you whether in your opinion in determining growth factors whether you take these things into account.

[840] May I do that?

A. Fine.

MR. METZGER: May I ask the Court if we can—if we can shorten this up, ask this witness whether or not he thinks the growth of Greeley that he has noted can support another bank?

THE COURT: Do you regard Greeley as a boom area?
THE WITNESS: No, sir, I do not.

THE COURT: He says he doesn't.

MR. SCHOEPKE: Well, Your Honor, may I just, on cross-examination, show him some of our economic growth documents and elicit from him how important or unimportant he thinks they are.

THE COURT: Sure, go right ahead.

Q. Now I show you Plaintiff's Exhibit in Evidence No. 87 which is a population table and ask you if in the course of your examining a new bank application whether you consider that kind of data?

A. Yes, we would consider that.

Q. And would you consider that to be a relevant factor in arriving at a decision as to whether the economy of the area was sufficient to support another bank?

A. From what I know of Greeley, no. We would have to look into the growth of the college to see how that affected the figures.

[841] Q. But you would consider population——

A. Oh, yes.

Q. ——with the growth of the college included?

Now, I show you Plaintiff's Exhibit in Evidence No. 90, and this is on gross sales in Weld County for the last ten years, which you will see have gone up about 281 percent. Would that be a relevant factor in your consideration as to whether——

A. Yes.

Q. ——the economy might support another bank?

A. That's right, yes.

Q. And Plaintiff's Exhibit No. 91 in evidence, Mr. Thomas—this is retail sales from 1960 to 1970 showing an increase of about 97 percent. Would that be a factor that you would take into consideration in deciding whether or not——

A. Definitely.

Q. ——to allow a new bank.

THE COURT: Have we received these?

MR. SCHOEPKE: They are in evidence, Your Honor, yes.

Q. Maybe we can go through them a little more rapidly. 92 and 93—Exhibit 92 is the increase in electrical power consumption in Greeley. 178—an increase of 178 in the last ten years. New telephones in the area—an increase of about 52 percent in the last ten years.

[842] Is that the kind of data that you would consider?

A. Yes.

Q. In your economic analysis?

A. This type would be presented to us for consideration.

[843] Q. Now, this is Plaintiff's Exhibit Number 94 in evidence, postal activity. Would you consider that as a part of an indicia of economic factor in the area?

A. Yes.

Q. Now, here is the number of water taps in the City of Greeley, indicating 36.9 increase in the last ten years. Would you consider that in connection with your appraisal in connection with the economic factors involved in Greeley and the possibility or nonpossibility of permitting a new bank?

A. Yes, they would be considered.

Q. How about Plaintiff's Exhibit Number 97 in evidence, building permits from 1960 to 1970? Is that the kind of indication——

A. Yes, all that is the type of information we would look at.

Q. Now, all of these documents I have shown you, Mr. Thomas, have been concerned with the Greeley city, the city itself. We have in evidence as Plaintiff's Exhibits Number 98 through 101 similar economic data with regard to the Greeley area, which consists of the City of Greeley and its surrounding area. Would you consider that type——

A. Yes.

Q. ——of economic growth data in connection with your recommendation to the Comptroller of the Currency?

[844] A. Yes.

Q. Yes, we also have similar data in Plaintiff's Exhibits Numbers 102 through 111, similar growth data of the kind I have shown you with regard to the City of Greeley. Would you consider that type of economic information?

A. Yes, sir.

Q. In connection with your economic appraisal of the possibilities or the desirability of permitting a new bank?

A. Yes, they would all be considered.

MR. SCHOEPKE: Excuse me, Your Honor, a moment.

THE COURT: Surely.

(Counsel conferred.)

Q. Now, Mr. Thomas, Mr. Metzger showed you Defendant's Exhibit Number 39, which is, of course, the history of

Greeley banking, and in that connection I believe you pointed out that the share of the market of Greeley First National Bank had gone down from 49 percent to about 32 percent.

A. Yes.

Q. Do you recall that testimony?

A. Yes.

Q. Now, and also you will note from this chart, will you not, that since 1950 when this chart or table starts, there have been new entrants into the Greeley banking market, have there not?

A. Yes.

[845] Q. And what banks have been allowed to open in the Greeley market?

A. West Greeley National. Cache National.

Q. And——

A. And I believe the State converted a bank.

Q. Converted from an industrial bank?

A. Yes.

Q. Now, wouldn't they have a tendency to draw some business away and make the market shares of the large banks in the downtown area decrease somewhat?

MR. METZGER: Objection. Counsel is aware of the figures. The figures speak for themselves and those figures say that only the First National of Greeley lost deposits.

THE COURT: Overruled.

A. I believe you asked me if the new banks would have a tendency to decrease the market share of the older banks?

Q. Yes.

A. That would be a tendency, yes.

THE COURT: What do you classify Greeley in terms of economic potential? It is not a boom city.

THE WITNESS: Not a boom city. Moderately steady growth area.

MR. SCHOEPKE: May I have 184, 185 and 186, please, or just 84, 85 and 86?

Q. Well, may I just show you for a moment, Mr. Thomas, [846] Plaintiff's Exhibits in Evidence 84, 85 and 86, which cover the banks in the Greeley area for a period of time. Just to assist you, it starts in 1963 and runs up to 1970. Now, you have indicated in your direct testimony that the

percentile share of the First National Bank of Greeley has dropped, that is, compared with some of the other banks, but is First National Bank of Greeley withering on the vine?

In terms of absolute growth, they are going up, are they not, in deposits?

A. Yes, they have increased the deposits.

Q. Just in terms of Plaintiff's Exhibit 85 in evidence, for example, they have gone in June of 1960 from deposits of about 19 million up to deposits in 1970 of some 39 million?

A. That's right.

Q. About 114 percent, if you would accept my arithmetic.

A. I will accept it.

Q. But they have grown absolutely?

A. Yes.

Q. There is no question about that, is there?

A. That's right. They are larger now than they were in 1950.

Q. Mr. Thomas, I show you Plaintiff's Exhibit in Evidence Number 73, which is, as you will see, total assets of commercial banks in the City of Greeley and the Greeley area.

A. Yes.

[847] Q. Which we have defined in the footnote, and——

THE COURT: What number is that again, Mr. Schoepke?

MR. SCHOEPKE: Number 73, and, at the same time, Your Honor, with your leave I would like to show him 73 through 83.

THE COURT: All right.

MR. SCHOEPKE: They are similar tables except they have different indicia. One is total assets. Another is total deposits. Another is demand deposits, and so forth.

Q. I show you Plaintiff's Exhibits in Evidence Numbers 73 and 74, and ask you whether on the basis of the data in those exhibits whether or not you would consider the banking in the City of Greeley as concentrated?

A. Concentrated how? One bank?

Q. In terms of the percentage, the relative percentage of bank deposits in the leading banks?

A. Well, the three so-called downtown banks have most deposits.

Q. So, would you consider that concentrated or not concentrated?

A. No, I would just say they have the most deposits.

Q. Now, I will show you Plaintiff's Exhibit Number 75, and ask you whether this concerns IPC demand deposits and ask you whether or not on the basis of shares of deposits among [848] the banks in the City of Greeley and the Greeley area whether in your capacity as a banking regulator you would consider that distribution of banking in the Greeley market in terms of IPC demand deposits as being concentrated?

A. No, I would say the same three banks have the most demand deposits, the three downtown banks.

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[849] Q. Now, if you will forgive me, Mr. Thomas, I think the last one that I showed you was 76. Now, I will show you Plaintiff's Exhibits in Evidence 77, 78, 79, 80, 81, 82 and 83, and ask if you would just look at those and would you tell me whether in your opinion as a banking regulator you think that banking in Greeley, the City of Greeley and the Greeley area, is or is not concentrated?

A. Well, after looking at this, it is obvious that the three so-called downtown banks are doing the best business, deposits, loans and everything else. I don't think that's concentration, no, sir.

Q. And of these three, the First National Bank is the second largest, isn't it?

A. Yes, sir.

Q. Now, Mr. Thomas, what does the word "concentration" mean to you?

Mr. Metzger: Objection, Your Honor, this is calling [850] for speculation, and in effect in this case a legal conclusion from this witness, which is inappropriate for the witness and I think would add nothing to the prosecution of this case.

The Court: Overruled. You may answer. He wants to know what your conception of economic concentration is. I guess that's it.

A. A—predominantly influence on the market.

Q. In what way?

A. Controlling the market.

Q. Pardon?

A. I would say concentration would be being so heavily influential in controlling the market that you would be able to control it.

Q. Well, do you mean by concentration that in order to have a concentrated market you have to have a monopoly power?

A. That's my—that's the way I look at it.

Q. Is it your view of concentration that concentration cannot be divided among more than just one firm with a monopoly power?

A. Not with a monopolistic power, no. I would say, to me, concentration would be the one predominant factor in the market.

Q. Oh, by the way, you represent national banks, do [851] you not?

A. Oh, yes, that's all, not——

Q. You just recommend to the Comptroller of the Currency on whether or not you would charter a national bank?

A. That's right.

Q. Isn't that correct?

A. That's right.

Q. Now, a bank holding company like Bancorporation here does not necessarily have to organize or acquire national banks, does it?

A. No.

Q. Under——

A. They can be a commercial bank, I believe. I think they cannot acquire an industrial bank, but that I am not sure. Commercial bank.

Q. But they can acquire state banks as well as national banks?

A. Absolutely.

Q. They can also charter de novo on state banks, can they not?

A. Oh, yes.

Q. Now, are you just——

A. I'm just here in a capacity as a national bank supervisor.

Q. You are not here or are you qualified to speak for [852] the state banking authorities?

A. Oh, no, definitely. Yes, I am not, I am sorry, I am not, no.

Mr. Schoepke: We have no further questions, Your Honor.

REDIRECT EXAMINATION

By MR. METZGER:

Q. Mr. Thomas, is it usually the case that downtown banks control the bulk of the deposits in any community?

A. Yes, sir.

Q. Did you hear the testimony of Mr. Bloom, the State Banking Commissioner, that he would grant a——

A. Here?

Q. ——a charter in downtown Greeley, if one were sought?

A. No, sir.

MR. METZGER: Neither did I. No further questions.

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[864] JOHN F. FALKENBERG

a witness called by and on behalf of defendants, having first [865] been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

By MR. WILLIAMSON:

THE COURT: Take the witness chair and state your name, address and occupation, please.

THE WITNESS: I am John F. Falkenberg. I live at 831 St. Paul Street, Denver. I am vice president in the business development department of the First National Bank of Denver.

MR. WILLIAMSON: Your Honor, I have to apologize—I seem to have misplaced his resume. I beg the Court's apologies.

THE COURT: That's all right. We can live without it. You can ask him a few questions, if you wish.

MR. WILLIAMSON: All right. I'll try and see if we can develop a foundation.

THE COURT: We will let him testify regardless.

Q. (By Mr. Williamson) Mr. Falkenberg, are you presently an officer of the First National Bancorporation, is that correct?

A. No, the First National Bank.

Q. I am sorry. The First National Bank of Denver?

A. Yes, the First National Bank of Denver.

Q. How long have you been an officer of the First [866] National Bank of Denver?

A. For about six years.

Q. And what was the first function you performed as an officer six years ago?

A. It was in the real estate loan department when I joined the bank, but about two and a half-years ago I transferred in the business development department.

Q. Did there come a time when you became aware that the Colorado National was offering a particular program on service charges on their individual bank accounts?

A. In the fall of 1969 Colorado National launched an extensive advertising program on their three-to-one service charge.

Q. Would you please explain three-to-one service charge for us?

A. Their advertising stated that if you maintained a minimum balance in your account of $300.00 you paid no service charge. If your minimum balance was two hundred to three hundred dollars, you paid a one dollar service; one hundred to two hundred dollars you paid a two dollar service charge; under one hundred dollars you paid a three dollar service charge.

Q. And at your particular level, below the top executive officers of the bank, what efforts did you take to examine the impact of this program?

[867] A. At that time our business development department had the sole responsibility for concern about the deposit growth both in the retail and wholesale side of the bank. Early in 1969 other banks in Denver had come up with a minimum service charge program but none with as low a balance as that and we felt that they were of no particular competition because we were offering our customers a better plan, on the analysis basis, than the Denver-U.S. was offering on theirs. But, when the program came out we began to notice—we felt some attrition of our depositors. We were losing customers and we took steps to remedy that.

We went into a study of alternate service charge programs, culminating in a report in November of evaluating three or four different ways we might go to meet that competition.

Q. I show you Plaintiff's Exhibit admitted in evidence

183 and ask you if this is that memorandum, and does it reflect the three options as a result of your study?

A. Yes, it does.

Q. Did you meet the competition of the Colorado National?

A. No, we felt that wasn't sufficient. We beat Colorado by offering a more attractive service charge program at that time.

[868] Q. Now, at the time of the recommendations, there were three, were there not?

A. The study concerned three alternatives. Our recommendation selected one of those as our recommendation or the recommendation of our group.

Q. But even the recommendation that you offered to higher management beat, did it not, did more than meet the Colorado National program, isn't that correct?

A. Correct. It offered a lower minimum service charge than the—a lower fixed service charge for balances under the minimum than Colorado National did.

Q. Now, this program I take it was presented to higher management, is that correct?

A. Yes.

Q. And what was that committee?

A. The committee would have been the meeting of the senior loan officers, consisting of generally the president, the chairman of the board is often at that meeting, senior vice-presidents.

Q. What action flowed from that meeting? Did they accept your recommendation?

A. They didn't accept the recommendation. They took the third alternative that we had considered, the one that cut the service charge even lower than the one we recommended.

Q. So, in other words, you not only beat the competition [869] of Colorado National but your loan committee, senior loan committee, decided to go even further, make it even more aggressive competition, isn't that correct?

A. Yes.

Q. Irrespective of your suggestion or caveat that it might start a price war?

A. Yes.

Q. But, nevertheless, your senior committee recommended taking an even further step irrespective of whatever dangers of price war there would be, is that correct?

A. Correct.

MR. WILLIAMSON: I have no further questions.

Excuse me, I do have one further question. May I take it out of time, Your Honor?

THE COURT: All right.

Q. Based upon your experience and in the Denver banking market, is it fair to say that the Denver banks do not follow parallel pricing policies?

A. That is, do we set our price parallel to somebody else?

Q. Yes.

A. No, we are struggling for some advantage over the other banks, so we are attempting always to be under what the competition is offering.

Q. This is a good illustration, is it not, of the [870] fact you don't follow parallel pricing?

A. Yes.

MR. WILLIAMSON: No further questions.

CROSS-EXAMINATION

By MR. BRENAN:

Q. Could you just state, Mr. Falkenberg, what was meant in Plaintiff's Exhibit 183 by the term "service charge war"?

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A. (continued) A service charge war would be a situation where our competition then cut the price further and we were forced to cut the price further. The gas war, [871] you know what that is.

Q. And that would be an undesirable development, is that correct?

A. Well, if you will look on the memo, you will see in the document of the plan that we did, we reduced our income $3,000 a month on ten percent of our accounts, or $30,000 a month times 12 months is a third of a million dollars a year that we undertook to save the public and reduce our earnings in order to beat the Colorado National. At a certain point there is some diminishing returns in that, but we were willing to take a third-of-a-million-dollar step in order to stay ahead of Colorado National.

Q. Right, but you didn't want to keep going too far, is that correct?

A. We didn't want to. I don't know that we wouldn't have.

Q. Now, Mr. Falkenberg, would you state what First National Bank of Denver's response would be if another bank in Denver began offering completely free checking?

• • • • •

[872] A. One of the downtown Denver banks, a very small one, now offers that, and we have stayed with our program since its inception in January, 1970. However, if one of the major banks, American, Colorado National, Denver-U.S., the ones that carry a big share of the market—I just can't predict what our reaction in that case would be.

Q. Does that indicate to you that—in other words, is it a proper conclusion from that testimony that the little bank doesn't have enough market power to, you know, make a sufficient dent in your business to cause a reaction?

A. Experience has demonstrated that.

MR. BRENAN: No further questions, Your Honor.

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[875] ROYCE CLARK,

a witness called by and on behalf of the defendants, having first been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

By MR. METZGER:

THE COURT: Give us your name, address and occupation.

THE WITNESS: Royce Clark, 440 South Queen Street, Lakewood. A vice president of First National Bank of Denver.

Q. (By Mr. Metzger) Mr. Clark, are you familiar with the First National Bank of Fort Collins?

A. Yes, sir.

Q. Is the First National Bank of Fort Collins a member of a holding company?

A. Yes, they are a member of the Western Bancorporation.

Q. Have you attempted to gain business from the First National Bank of Fort Collins despite that relationship?

A. Yes, sir.

Q. What was your first success if any with relation to that account?

THE COURT: You are now talking about the biggest holding company in the world?

MR. METZGER: We are, Your Honor.

[876] THE COURT: The very largest?

MR. METZGER: The very, very largest, and the largest in Colorado, too.

THE COURT: All right, good. I just wanted to be sure.

A. We have a correspondent account from them. We also have been successful in various loan participations, and we have their Master Charge relationship.

Q. Are there any other Western Bancorporation banks in the State of Colorado?

A. Two. American National here in Denver and Continental National in Englewood.

Q. Does the American National Bank offer a credit card?

A. Yes, sir.

Q. Which credit card?

A. Master Charge.

Q. And despite the fact that the American National and affiliates offer the same service, you do have that account, is that correct?

A. That's right, sir.

Q. And are you about to begin clearance of cash letters for the First National Bank of Fort Collins?

A. We were advised last week and started Friday receiving their cash letter, yes, sir.

MR. METZGER: No further questions.

[877] CROSS-EXAMINATION

By MR. MALASKY:

Q. Mr. Clark, is it?

A. Right.

Q. Mr. Clark, are you in the correspondent department of the First National Bank of Denver?

A. That's right, sir.

Q. And does the correspondent department of the First National Bank of Denver presently have substantial correspondent business from any other subsidiary of any holding company in Colorado?

A. Yes, sir.

Q. Would you expand on that?

A. From any other holding company?

Q. My question is, does the correspondent department of the First National Bank of Denver presently have substantial business of subsidiaries of any other Colorado bank holding companies which also has a Denver correspondent?

MR. METZGER: May I have my standing objection, Your Honor, to the characterization of the business of the First National Bank of Denver being the business of its correspondent department which has no business.

THE COURT: Yes, you may. Go ahead.

THE WITNESS: Would you back up and rephrase your question?

[878] MR. MALASKY: Would you read the question.

THE COURT: Do you do any substantial business from any holding company affiliated bank in your correspondent department of the First?

THE WITNESS: Any other than Western Bancorporation?

THE COURT: Yes.

THE WITNESS: Yes, sir.

THE COURT: I think that's what he asked you.

MR. MALASKY: I am asking with respect to the holding companies that have a Denver based bank which offers correspondent banking services.

Q. Isn't it a fact, Mr. Clark, that the First——

THE COURT: Did you get the answer to that last one?

THE WITNESS: As a Denver based holding company?

Q. A holding company which has a Denver subsidiary offering correspondent banking services, to be specific, Colorado National, Colorado C N B Bankshares, United Banks of Colorado, First National Bankshares, Inc.?

A. Yes, we do.

Q. Which ones?

A. First Colorado Bankshares.

Q. And you have business of affiliates of First Colorado Bankshares?

A. Yes.

[879] Q. Isn't it a fact that the Fort Collins situation is an exception rather than the rule?

A. I don't know that to be.

* * * * *

Q. Does the First National Bank of Denver actively solicit correspondent accounts of subsidiaries of United

Banks of Colorado, of Colorado C N B Bankshares,—well, those two?

A. I'd say we solicit accounts from everyone.

Q. Are you able to obtain or do you have substantial correspondent business from subsidiaries of United Banks of Colorado, Inc., Colorado C N B Bankshares, or any other affiliate or subsidiary of Western Bancorporation besides the [880] First National Bank of Fort Collins?

A. Yes, we do.

Q. Would you tell me who they are?

A. We have a relationship with Continental of Englewood.

Q. What is the extent of that relationship? What do you do for them?

A. I am not in that department. It's handled in a different department than I, so I think I'm really unqualified to say.

Q. Is Western Bancorporation permitted to acquire to your knowledge——

MR. METZGER: Objection. Counsel is asking a question to which, one, the witness is not qualified, and two, which is completely irrelevant to any testimony this witness has made.

THE COURT: I think we can all agree they are not eligible to require any further affiliate or subsidiary——

MR. METZGER: Not so long as this bank structure is a part of the Western Bancorporation.

It could be spun off, however.

THE COURT: Well, under present conditions at least isn't that true, Mr. Malasky?

MR. MALASKY: Yes, Your Honor, I believe that's correct.

MR. METZGER: My objection stands as to the relevancy [881] of this to the testimony of this witness. These are banks which are parts of holding companies which holding companies offer the same service as we do and which business we have successfully obtained. This is plaintiff's proposition, and I think he has failed on it.

Q. Mr. Clark, how long have you had a substantial or any relationship with the—— Is it the First National Bank of Fort Collins? Yes, the First National Bank of Fort Collins on your Master Charge relationship.

THE COURT: Did he say he had a Master Charge relationship?

MR. MALASKY: Yes.

Q. When did that come about?
A. When Master Charge was introduced by our bank.
Q. Which was——
A. Which I don't remember the date, but I think it was in the summer of 1969.
Q. And when did the American National Bank offer Master Charge? Did they offer it at that time?
A. At the same time.
Q. They began it at the same time?
A. Yes, sir.
Q. Or did they have it afterwards or before?
A. At the same time.
Q. Exact same date? The franchise was granted at the [882] same time?
A. We are all part of an association that all started at the same time.

MR. MALASKY: I have no further questions.
MR. METZGER: No further questions.
(Witness excused.)
MR. METZGER: The defendants now call Mr. Philip H. Hogue.

PHILIP H. HOGUE,

a witness called by and on behalf of defendants, having first been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

By MR. METZGER:

THE COURT: State your name, address and occupation.
THE WITNESS: My name is Philip Hogue. I reside at 1250 South Drew Way, Lakewood, Colorado. I am a vice president of the First National Bancorporation.

Q. (By Mr. Metzger) Mr. Hogue, could you tell us something more of your professional background.
A. I have been with the First National Bank of Denver since 1958 and initially on a training program. Shortly after I began with the bank I entered the automation field for a period, approximately two years, and ran the data processing function of the bank. I spent a year heading up [883] the methods improvement program which was a work

measurement program of the bank. I have been in the correspondent banking department approximately three to four years. I managed the Master Charge program; credit program for something less than a year, and I joined the holding company in September or October—October, I believe, 1969.

Q. Mr. Hogue, were you with me for breakfast one day last week with a gentleman named Allen from Durango, Colorado?

A. Yes, sir.

Q. When I asked Mr. Allen whether or not, in the pursuit of truth in a courtroom, if he would not want to hear my facts and weigh them against the defendants' facts, could you tell us what his response was?

A. I don't know whether it's word for word. His response was "I'm not interested in your facts."

Q. Thank you.

Referring to the situation in Montbello, Mr. Hogue, were you intimately connected with the holding company's attempt to secure a banking facility there?

A. Yes, sir.

Q. Where is Montbello?

A. Montbello is north and east of Denver incorporated into the city limits of Denver.

Q. What first attracted your attention to the banking [884] potential of the Montbello area?

A. The projections on population as well as industrial expansion. Montbello is unique in that it has almost 5,000 employees in 50 different industrial installations there now and the projection is for approximately 10,000 employees and 40,000 permanent population.

Q. Is this new employees and new population?

A. New, since the inception of Montbello.

Q. Which was?

A. It was two years ago, that neighborhood.

[885] Q. How did you first intend to obtain a banking office in this area?

A. It was originally the intention of the bank or Bancorporation to form a de novo bank in Montbello.

Q. And did you change that intention?

A. I believe Mr. Thomas, Jack Thomas, that is, Regional Comptroller, was informally advised of this intention and subsequent to our moving on this course of action the Montbello State Bank was formulated.

Q. And what effect did that have on your plans?

A. We felt that the Montbello State Bank was a new bank in the Montbello area. It had what we thought was reasonable growth but it had not achieved a great deal of size, and we thought that on one hand you had the needs occasioned by the industry in Montbello not being served by a bank that was very small. On the other hand, you had a very small bank trying to rely on the population growth, and we felt that it would be best to attempt to purchase that bank in order to accomplish both the satisfaction of the needs of the industrial business without unduly damaging the existing bank.

Q. Why did you feel that the Montbello State Bank was not serving the needs of the area?

A. Well, the companies out there range from Samsonite with almost 4,000 employees and worldwide operation, to some [886] of certainly a great deal more modest size. The bank was in the neighborhood of two to two and a half million dollars in size. They were affiliated with the bank in Aurora, Aurora National, I believe, which was also a modest size, something less than, I believe, $20 million, and we felt that the needs of the industrial community were more than could be served by banks of that size.

Q. Was that bank advantageously located to serve the citizens of the Montbello industrial area?

A. No, it was on the south side of the interstate and the Montbello development itself on the north side of the interstate, I-70.

Q. You say you applied to acquire the Montbello State Bank?

A. Yes, sir.

Q. What happened?

A. We are denied by the Federal Reserve Board on a vote of four to three, I believe.

Q. On what grounds?

A. The Federal Reserve Board suggested that it would be desirable to have two competitors there rather than one, and as I recall the wording, they said that the area, as are most areas in Denver, I believe the wording was, is underbanked and could stand another competitor.

Q. And what did you do then, Mr. Hogue?

[887] A. We attempted to be another competitor. We formed a group to put together a charter application for a national bank.

Q. And what happened after this application was filed?

A. The application was protested by the existing bank in Montbello, together with two other banks in Aurora, and there was the—the required hearing was held. Following the hearing, it was submitted to the Comptroller and ultimately denied.

Q. So that you are not doing business in Montbello today?

A. No, sir.

Q. I think you indicated the Montbello area would have something in the area of 40,000 population within a short span of time.

A. I believe that projection is for 1975. Right now in the area defined as the trade area in that application there were something approaching 20,000 people, I believe, 16 to 17 thousand.

Q. So despite this unique growth from a modest or nonexistent beginning, your attempts to enter the market de novo failed, is that correct?

A. Yes.

Q. Mr. Hogue, turning your attention to the area of correspondent banking, will you tell us how many employees [888] there are in the First National Bancorporation system, including the subsidiaries?

A. The consolidated report for March 31 showed 1,452.

Q. And how many of these employees are employed in the commercial bank department?

A. In the commercial bank department?

Q. I am sorry, in the correspondent bank department.

A. Fifteen.

Q. Do these 15 employees spend all of their time on correspondent banking activities?

A. No, the members of that department have significant other duties.

Q. Mr. Hogue, I show you Defendants' Exhibit Number 13, a ranking of bank balances in correspondent banks in the United States as of September 30, 1970, and I ask you what were the total deposits of correspondent banks at that date?

A. 27 billion 217 million.

Q. And what share did the First National Bank of Denver have in those deposits?

A. I believe we calculated that percentage to be 0.19 percent.

Q. And if there were a foreclosure of the business of the First National Bank of Greeley, what proportion of those balances would be foreclosed?

A. 4/1000 of one percent.

[889] Q. Now, could you tell us what services the correspondent bank department of your bank itself offers to other banks?

A. The correspondent bank department in and of itself offers no services to correspondent banks.

Q. Whose services does it sell?

A. The First National Bank of Denver's.

Q. And to whom does the First National Bank of Denver sell its services?

A. The services generally are applicable to almost all of its customers. There are exceptions such as the Federal Fund transactions, however, that are—because of the nature of the transaction, unique to banking.

Q. I would like to discuss with you, Mr. Hogue, the principal services of a bank which are sold to other banks, as well as to other people, and let's see to whom they are sold and what the appropriate product market and section of the country is with relation to the principal product.

Is lending activity——

A. A commercial bank is in the business of making loans and making those loans to customers of all kinds. In the nature of lending, the term "overline" has been used in the course of the trial, which in banking language indicates a loan or borrower's request in excess of the lending limit of the bank that it approaches and that bank seeks out another bank in order to assist the borrower. It acts as an [890] intermediary or conduit between the bank with the funds, the source of funds, and borrower's requests.

Q. And the First National Bank of Denver does make this kind of loan?

A. It does.

Q. With whom does it compete for this service?

A. It competes with other banks, principally other banks that would travel our territory with some regularity. These banks would be located in Chicago, Kansas City, Omaha, both coasts, New York and California, but it is not necessarily limited of terms of the—to the major banks. It is my belief that other banks in Colorado such as the First National Bank of Colorado Springs or the First National Bank of Pueblo have engaged in assisting banks with overlines.

Q. What about check clearing?

A. Check clearing is a service that a bank performs again for every one of its customers. Checks deposited by an individual that must be cleared are cleared by a bank. Certainly, corporate checks are cleared by a bank, as well as checks sent to it by another bank.

Q. All kinds of customers send you checks for clearance, is that correct?

A. Yes, sir, the primary objective in the check clearing is to present that check for payment by the drawee bank as soon as possible to obtain your funds and to the extent that [891] this haste is imperative or prudent, it is perhaps a little more confined geographically to transportation schedules and those things that facilitate the clearing of a check.

Q. Where would I clear my checks, if I were a bank in, say, Colorado Springs?

A. If you were a very small bank in Colorado Springs, you could send them to a larger Colorado Springs bank. If you were a member bank of the Federal Reserve System, you could send them to the Denver branch of the Federal Reserve System. You could send them to a Denver bank directly. If you were a bank in Colorado Springs with some activity in the transit area, in other words, some volume of checks drawn on a particular area such as New York or Kansas City or another area is Salt Lake, perhaps you would send that particular segment of checks direct to a source there.

Q. What is the largest check-clearing service in the United States?

A. I think the network that is put together with the Federal Reserve System for the banks is certainly the largest. The textbook used by bankers in defining these systems and services put out by the American Institute of Banking contains a quote: "The twelve Federal Reserve Banks and their 24 branches, the member banks and the participating nonmember banks form a network which provides the most extensive check collection in the world. The Federal Reserve par collection [892] system is used by thousands of banks daily. It provides a comprehensive, economical and convenient way of collecting checks."

Q. In sum, then, Mr. Hogue, must I clear my checks through a Denver bank?

A. No, sir.

Q. May I clear my checks through banks elsewhere in the state?

A. Certainly may.

Q. May I clear my checks through the Federal Reserve?

A. Yes, sir.

[893] Q. May I at somewhat greater inconvenience clear my check through other Federal Reserve cities in the district?

A. Yes, sir, I think that as a matter of consideration and some amount of inconvenience you could probably send the check almost anywhere for clearance.

Q. And how am I charged for check clearing if the service is performed for me by a bank, Mr. Hogue?

A. If the service is performed by the First National Bank of Denver, you would be charged on an analysis basis.

Q. Just I will do all your checks no matter how many there are for "X" dollars?

A. No, we equate the—we have specific charges, first let me say, with connection to the clearance of checks and those are then applied in most cases to the balance to determine the profitability or loss of the transaction.

Q. Now, let's address ourselves to federal funds, Mr. Hogue. What are federal funds?

A. Federal funds are—well, let me first say member banks of the Federal Reserve System are required to keep on deposit at their bank or branch, Federal Reserve bank or branch, certain reserves. These reserves are referred to as federal funds. In that these reserves may build over a period of time, certain banks may have excess funds at a time when other banks are short of funds, and it is—the federal funds transactions market is bringing I guess buyer and seller together.

[894] Q. With whom do you compete for the purchase and sale of federal funds?

A. We certainly compete with the banks in Denver, but the federal funds transactions are a great deal broader than that. It is certainly a regional or national market in the purchase and sale of federal funds.

Q. How do you go about buying or selling federal funds?

A. Various—we have an area in the bank, cash management area in the bank, who acquaint themselves daily with what rate is being paid for federal funds, and it is a matter of accumulating funds that you have for sale and contacting a buyer, arranging for a price and selling funds to the buyers.

Q. Suppose I am a banker in Bangor, Maine, and I want

to buy federal funds from you. Would that be an expensive proposition? How would I do it?

A. Well, I don't know that you would want to—necessarily want to buy particularly from me. If you had a shortage and wanted to buy federal funds, you would probably in that part of the country, not knowing it too well, but probably contact New York and arrange to purchase the funds.

Q. Could I do it with you?

A. Certainly.

Q. How?

A. Pick up the phone. We have a number of banks in Colorado—there is some advantage by going to the West Coast [895] because of gaining an hour at the end of the day. It gives you one more hour to know what your cash position is before commiting yourself to the sale or purchase of funds. We find banks in Colorado going to California to accomplish this because of the period of time.

Q. Do they go to New York?

A. Yes.

Q. Chicago?

A. Yes, sir.

Q. Do you go to all these parts of the country?

A. Yes, sir.

Q. Do you get business from these parts of the country?

A. Federal funds?

Q. Yes, sir.

A. Yes, sir.

Q. Do you have what is known as a Watts line on your telephone?

A. Yes, sir.

Q. Would you tell us what that is?

A. Wide area transmission is what it stands for I think. We have both a local and—several, both national and local. It permits you to call for a specified fee rather than a toll charge per call.

Q. Let's refer to your bond division, Mr. Hogue. Do you buy and sell bonds?

[896] A. Yes, sir.

Q. How do you charge for that service?

A. The bond division operates as a separate entity and it hopefully buys bonds at a certain price and sells them for more. It is the breakage between the purchase cost and the sale cost.

Q. With whom do you compete in offering this service?

A. We compete with other banks in terms of a national basis. The question was asked of the individuals that are in charge of our bond division, and if I may, I have a list of the entities that our bond people feel are competitors in this area, our immediate competition, and this includes the following firms: Boettcher and Company, Kirchner, Moore and Company, Hanifen, Imhoff and Samford, Coughlin and Company, Stern Brothers and Company, George K. Baum and Company, and Burkhardt-Gerwin and Company. In addition, bond houses, all over the United States make daily phone calls to Colorado, since geographical location has little meaning with the availability of Watts lines.

Q. Do you compete with banks from other parts of the United States in this business as well?

A. Yes, sir.

Q. And I believe you indicated that your purchase and sale is paid for how?

A. The bond division deals with individuals, with [897] corporations, with banks, and its profit comes from prudent buying of bonds and better sales.

Q. You buy low and sell high?

A. Yes, sir.

Q. What about the credit card business, Mr. Hogue?

A. The credit card business that our bank is engaged in is the Master Charge card.

Q. With whom do you compete?

A. Well, we compete, as an example, for the issuance of cards with any retail card, any charge card issued by gasoline companies, department stores, other bank programs such as Bankamericard, American Express. In addition, we compete with other banks for the offering of a bank card.

Q. And how are these items charged?

A. The credit card program came to being here in 1969. It was necessary at that time to establish a charge or a fee structure for the offering of the credit card, and it is an entirely separate fee structure. This is absolutely no relationship to bank balances.

Q. Addressing yourself to the offering of pension and profitsharing plans, where do you offer—what is this service, first, Mr. Hogue?

A. This is a service offered through our trust division. It is offered to any variety of companies, unions, banks. It is offered nationally. There is a concerted effort in our

[898] trust department to provide service from the First National Bank of Denver nationally.

Q. With whom do you compete?

A. Again, this is an area where other banks are competitive, and certainly, insurance companies, investment brokers, and generally national in scope.

Q. Do you compete nationally?

A. Yes, sir.

Q. You have customers on the East Coast?

A. Yes, sir.

Q. On the West Coast?

A. East Coast, I am sure. I would suppose on the West Coast, yes, sir.

Q. Tell me, Mr. Hogue, are these the principal services of the bank which are sold?

A. These, in addition to the data processing function.

Q. All right, would you tell us about data processing, sir.

A. The First National Bank of Denver has a capacity, a data processing capacity, and it offers a service to individual corporations and banks again of a range of data processing services to all its customers.

Q. With whom do you compete in the offering of this service?

A. We certainly compete with other banks. I have a list [899] of 15, in addition to the First National Bank of Denver, 15 alternative sources of data processing.

Q. Are these solely banks?

A. No, sir, there are a number of banks, a number of service bureaus also listed as being alternatives for data processing. There is one in Colorado Springs, Kaman Nuclear, which has a data processing capacity for banks, that's primary function or other function is associated with the company.

Q. Does it actually service banks and——

A. Yes, sir, it does.

Q. And how do you pay for this service, Mr. Hogue?

A. With a specific specified fee for services rendered.

Q. Mr. Hogue, are all of these banks and services companies other than Kaman in Denver?

A. No, sir, the United Bank of Denver, Colorado National and American, as well as Central have facilities here. Central also has a data processing office and operation in

Grand Junction. First National Bank of Colorado Springs has its capacity, as does First National Bank of Fort Collins and First National Bank of Boulder, Greeley National Bank. Then there are several, First National Bank of Westland, which is in Lakewood. In Denver Peoples Bank of Aurora. Jefferson County Bank of Lakewood. Kaman Nuclear in Colorado Springs.

Q. Mr. Hogue, are these products sold in a package?

A. No, sir.

[900] Q. Is there any one of these services which if you buy you must buy one or more of them?

A. No, sir.

Q. Let me put that differently. Are there any of these services which if you purchased from one supplier it would be substantially inconvenient for you to purchase any of the others from another or other suppliers?

A. No, there are a lot of combinations to these things. I think we find that banks tend to go where they find a quality product at an attractive price. Specifically in the data processing area, we have had a number of banks that have gone out on their own to begin their own data processing centers or have switched, have left us and gone to another source.

Q. Now, when you sold the services of the bank, what did you try to sell, each one separately, or systems as you could, or what?

[901] A. It is difficult to go into a bank and say, "I want to talk to you about 30 services." We try to acquaint ourselves with the banks, with particular needs that might have been in existence at that particular time in a bank. Naturally, we would like to have as much of these banks' business as possible, but I don't think that you are always in a position to have exactly what every one of your customers wants, nor more than a department store is capable of selling every product it has to a particular person.

Q. How does one pay for the services one obtains on these various groups we have been talking about, Mr. Hogue? I think you said the data processing is paid for on a separate fee schedule.

A. It is.

Q. And your bond purchases and sales are paid for on the difference between your buying and selling price?

A. Yes, sir.

Q. Credit cards have a separate time schedule?

A. Fee schedule, yes.

Q. Fee schedule. Pension and profit sharing plans are of a separate fee schedule?

A. Yes, sir.

Q. I ask you to look at Plaintiff's Exhibit No. 192, Mr. Hogue. Do you have a copy of that before, you?

A. No, sir.

[902] Q. Could you tell us what this document is, Mr. Hogue?

A. This is an account analysis form.

Q. For whom do you—with whom do you use this form?

A. This form would be used for the analysis of large accounts.

Q. Bank accounts?

A. Yes, bank accounts, even large individual accounts, certainly corporate accounts.

Q. So this form has general applicability among large accounts?

A. Yes, sir, this particular form is one that requires some manual entries and the individual accounts of the bank are—the analysis is on an automated basis, so this has applicability to the larger accounts.

Q. I see, but all accounts receive an account analysis, is that correct?

A. In one form or another.

Q. Now, could you tell us what these items mean? I think we start with average balance. What is that?

A. The average balance is that balance which is reflected on your books at any particular time. Now, I might mention this form is used, is prepared, monthly, and so the term "average balance" would be the aggregate of the daily balances averaged as they appeared on your books.

Q. And it says, "less uncollected funds." What does [903] that mean?

A. This is a term we have talked about during the trial at several points. Uncollected funds are those checks that have been deposited with you and in the average balance would have been credited to the customer's account but would not have been collected at that time by, in this case, the First National Bank of Denver. They are essentially transit items in the process of collection.

Q. So you haven't been paid for them yet.

A. The bank has not received payment at the time it is credited to the account.

Q. And the next item, net balance, is the difference between the two?

A. Yes, it is just the subtraction, average balance less uncollected funds.

Q. What does the next item mean, less legal reserve of 17½ percent?

A. This is the reserve on deposit at the Federal Reserve Bank by virtue of our being a national bank and a member of that system. It is a required reserve.

Q. That is a portion of the net balance figure?

A. Yes, sir.

Q. Is that what the Federal Reserve Board requires?

A. Yes, sir.

Q. And the next item, net funds available for investment.

[904] A. That's net balance less your reserves. This is the amount that you would actually have in hand to invest.

Q. And the next item, earnings credit——

THE COURT: You don't always give credit on those transit items, do you?

THE WITNESS: No. Well, yes, sir, in terms of analyzing the account, if a deposit is made containing a number of transit items we would credit the account. There are procedures within the bank.

THE COURT: It is a conditional credit?

THE WITNESS: It is a conditional credit.

THE COURT: In other words, you don't permit checks to go against that?

THE WITNESS: We might—we certainly would in some cases, if an individual were to bring in a check and it were drawn on Colorado Springs or some other place that had a one-day float. If they were large items or if it were a brand new account and it was opened with a check in New York, we would certainly wait until that check cleared before we would permit checks to be drawn, or again if they were particularly large items you could lock the account out for a certain amount above what happened to be collected funds at that time.

Q. Mr. Hogue, you then have your earnings credit, which is what you can earn on those net funds available for [905] investment?

A. Yes, this is the computation that says this is what we would have in the way of earnings at 5 percent with

which to offset the costs, the maintenance cost of that account.

Q. What are the specific items below labeled "account expense"? What purpose do they serve on this analysis?

A. Well, in the process of any large account you might have a number, a combination of these particular items. As an example, if this analysis pertained to a bank, the third item listed, items deposited, or the fourth item, items deposited dollar amount and coded, would certainly be high, higher than an individual account. These would be items sent to you by a bank for clearing. We have specific charges for each of these that we do our best to keep track of in terms of the account usage, and at the end of the month when we are analyzing the account we translate these individual amounts into a collective amount which represents the cost of maintaining that account.

Q. Suppose you come up with a minus on this, Mr. Hogue? If the man retains a good balance with you, do you waive the difference?

A. We analyze these accounts for—I say, on a month-to-month basis. We will probably look at it over, say, a three-month period, a quarterly period. If at the end of a quarter, this was—the loss was not an isolated instance and he had run consecutive losses, we would bill the customer.

[906] Q. Suppose I came up with a $5 loss, would you bill me?

A. Well, I think this—as a practical matter, we might waive a $5 loss because it would take more to keep track of the billing on that than the loss.

Q. Suppose I came up with a net $500 loss.

A. If you're talking about a loss like that over a three months' period, you would certainly be billed.

Q. Would you expect payment?

A. Yes, sir.

Q. Now do I have to pay you this way via balances?

A. Well, I think it's fair to say that it's got to be one way or the other. Certainly if the balances are sufficient to cover the maintenance of the account, that's one thing. If the balances repeatedly are insufficient and as I mentioned over a quarterly period, there is an analysis of the account, you would certainly be advised of a loss.

Q. Would I be expected to pay?

A. Yes.

Q. Suppose I just continued to pay you?

A. Well, I think we would probably process on that basis.

Q. Are there accounts which do pay service charges rather than via the balance method?

A. Yes.

Q. Any substantial accounts?

[907] A. Yes, sir.

Q. So you are in the business of making money on these services, is that correct, Mr. Hogue?

A. Yes, sir.

Q. And if I want to buy one or two or ten of those services, if I am willing to pay for it will you sell them to me?

A. Yes, sir.

Q. Mr. Hogue, I show you Defendant's Exhibit No. 65 and ask if you are familiar with this document.

A. Yes, sir.

Q. What is that document, Mr. Hogue?

A. This is a profitability analysis of the First National Bank of Greeley's correspondent account with the First National Bank of Denver for the calendar year 1970.

Q. What does it show?

A. It shows several months of profit as well as several months of loss. It shows a total profit, total before-tax profit of $5,042.33.

Q. This account, I believe, Mr. Hogue, carried an average balance in excess of a million dollars through this period?

A. I'm not familiar with the balance through the entire period. I know that the last time that I looked at it it was approximately a million two hundred thousand.

[908] Q. How can we come down to a $5,000 income on a million two account?

A. Well, this is again a function of several things. The number of items deposited in that there is a specific charge assessed for number of items deposited. A large float factor. A number of different items used below the line in the analysis charge for that account would produce the loss.

Q. A large float account—to your knowledge does the First National of Greeley maintain a large float account with you?

A. I believe the analysis in April indicated that of ap-

proximately $1,140,000, I believe there was float in excess of $800,000. This is the average for the month.

Q. That means that when you start with average balances of a million one, you have to subtract your float in order to start getting at what the account is worth to you, is that correct?

A. Yes, sir.

Q. Are average balances then a valid test of the amount of service offered by a correspondent and the profitability of that service to the correspondent?

A. No, sir.

Q. Why not?

A. Well, we have just seen this in terms of profitability, the fact that we would report balances, and to use round [909] numbers, say, $50 million, to the extent that it contained a First National Bank of Greeley account of a million dollars, with a float of $800,000, it would not be portrayed in showing $50 million in balances. You've got an account that has for several months run at a loss. The balances sustain the amount of work that you do, and to that extent certainly there is profitability of having a million dollars.

Q. Let's take two accounts, Mr. Hogue, both of which come from banks of the same size, and taking the same services from you. One account maintained $2 million in correspondent balances and had a $2½ million float, and a second bank maintained a $1 million balance and had a $100,000 float. Which would be the more profitable account.

A. Obviously the account that is running the float in excess of the average balances is going to be a loss account. An account with a million dollars in average balance and a hundred thousand dollar float is subject to the usage of stop payments and miscellaneous charges. Certainly a very profitable account.

Q. And then as a means of assessing activity and profitability, how would you analyze the average balance?

A. The average balance does not reflect activity or profitability. In other words, I could not look at a bank's books and see a $1 million account for a bank and suggest that that was an active account or a profitable account.

[910] Q. Turning to the Defendant's Exhibit No. 65, Mr. Hogue, what percentage of the income of the First National Bank of Denver is associated with this account?

A. This account again had a profit of $5,042.33 before

taxes, which would have come down to something less than $3,000 after taxes, or, .05 of 1 percent I guess—I guess that's 5/100ths of 1 percent.

Q. Of the income of the First National Bank?

A. Of the income of the First National Bank of Denver.

Q. I show you Defendant's Exhibit No. 64, Mr. Hogue, and ask you whether or not there was any attempt made to determine what the correspondent balances were of banks which are customers or could be customers of your bank.

A. Yes, sir. This is a difficult thing to determine. The table marked Defendant's Exhibit 64 reflects balances of banks in this area, Colorado, Kansas, Nebraska, New Mexico and Wyoming in total. It is true that the table is inaccurate to the extent that banks in those areas would have deposits outside of the same area. But again, the Federal Reserve Bank of Kansas City—the source—listed these states. On the other side we travel—we, being the First National Bank of Denver, to Montana, parts of Idaho, parts of Utah, parts of Texas. So I don't know that you could say one offsets the other. But, there are some reasons to equate the value of the table in that respect. It's short on one side and over [911] on another.

Q. You spoke of where you travel, Mr. Hogue. Where does the First National Bank of Denver seek its correspondent business?

A. The First National Bank of Denver travels regularly to Montana, Wyoming, Colorado, Nebraska, Kansas, parts of Utah, and Idaho, as I mentioned, New Mexico, and very—a very little in Arizona, and some travel in Texas.

Q. What portion of your correspondent business comes from these states outside of Colorado, Mr. Hogue?

A. Approximately 35 to 40 percent of the balances are generated outside of Colorado. In terms of numbers of accounts, we have approximately 120—122 accounts within Colorado, which is less than half the total number of accounts—correspondent accounts we have.

Q. And then where do you believe that you service other banks from your bank?

A. Certainly in the area that we spend our time traveling in and seeking business.

MR. METZGER: Thank you very much. No further questions.

CROSS EXAMINATION

By MR. MALASKY:

Q. Mr. Hogue, are you telling us that correspondent business isn't a profitable one?

[912] A. No, I'm not.

Q. And isn't the usual form of payment for correspondent services the maintenance of balances?

A. The term of reference is too broad, when you say correspondent services. The First National Bank of Denver, the maintenance of balances is used to defray the cost of processing checks, but it does not enter into data processing sales, bonds, the pension profit sharing.

Q. Do you share in loans that your correspondents can't handle because their legal lending limits are too small?

A. We do.

Q. And these are generally known as overlines?

A. They are.

Q. And isn't it a fact that when you take a share of an overline, that you are earning whatever the rate of interest is on your share of it? That's part of the profits which you are also getting?

A. There is a rate of interest attached to that portion that we fund, yes.

Q. Now, do your correspondents ever refer customers to you?

A. Yes, we consider banks in Cleveland that keep money on deposit with us, and of course, the Chase Manhattan Bank.

Q. The Chase Manhattan?

A. The Chase Manhattan maintains deposits with us [913] geographically which refer customers to others or as well as any other bank.

Q. And you would, I assume, provide certain services to those customers?

A. If our bank is chosen.

Q. And if it is chosen you would earn some money from the referrals that you get, correct?

A. Well, I can't say that categorically. We may have been referred a bad account.

Q. You would hope overall you would be making money on the referrals you get?

A. I would hope.

Q. And you do earn money from the services that you charge cash for, is that correct?

A. Yes, sir.

Q. Now, Mr. Hogue, is there a name of the group or division under which the 15 people who take part in correspondent activities in your bank deal in?

A. The 15 people that you mentioned specifically are in an area called the "correspondent banking department."

Q. And this is a separate department with the bank or the bancorporation? Or is it the bank or the bancorporation?

A. It is not the bancorporation. It's the First National Bank of Denver.

Q. It's a separate department within the bank?

[914] A. Yes.

Q. Is there a vice president in charge of the correspondent department?

A. There is.

Q. What is his name?

A. Carrol Stubbs.

Q. Now, when you go out and your people go out and solicit correspondent accounts, do you try to sell all these services? Or do you say to the bank, "We will only sell you these" or "these"?

A. Certainly we would like to have all the business of any of our customers, banks, corporate customers that we can.

Q. Now, Mr. Hogue, isn't it a fact that there is no other place other than a commercial bank or a correspondent bank where other commercial banks can get all of the services to which you referred at one place, at one time?

A. I don't know. I'm not qualified to answer that question.

Q. Do you know of any other place that a commercial bank can get all of the services to which you referred at one time?

Mr. Metzger: The question has been answered, may it please the Court.

Q. At one place and one time?

[915] The Court: He said he didn't know.

Q. You don't know?

A. I don't know of any.

Q. Now, when you solicit your customers in Colorado, is one of the selling points that you tried to make, that

you have knowledge of Colorado affairs, that you're a Colorado bank, that you can give——

A. I would not in going out to make contact imply that knowledge of Colorado affairs on my part included legal matters, the knowledge of legal matters in Colorado, as an example. Colorado affairs generally, the general industry——

Q. That's right.

A. Would we be aware as an example that a plant was located in Colorado? I think we could.

Q. Isn't it a fact that you as a Colorado bank emphasize in your solicitations the fact to other Colorado banks that you are a Colorado bank? That you have knowledge of the economy of Colorado, of the trade of Colorado, vis-a-vis——

A. Our banks attempt to do this with a number of customers. We put on an economic forum and I believe the last invitation included 500 industry leaders that we were trying to acquaint with what happens in Colorado.

Q. And isn't it a fact that when banks from New York and San Francisco solicit here that one of the big selling points that you have in Colorado is the fact that you are a [916] Colorado bank and you are best able to serve the needs of your Colorado customers?

A. I personally have not employed that method.

Q. Does your bank act as a depository for—as a depository for collateral which is used by banks in Colorado to secure municipal or state deposits?

A. It does.

Q. Do you perform that service for banks outside the State of Colorado?

A. Not to my knowledge.

Q. Now you mentioned that you——

A. The escrow? Is that what you're talking about?

Q. Yes. That's what I'm referring to.

Now, you mentioned that you solicited in Idaho. How many accounts do you have in Idaho?

A. I believe two or three. I mentioned we travel just a portion.

Q. Do you know what the total balances that the two or three accounts from Idaho represent?

A. I do not.

Q. You said—you mentioned that you solicit in Montana. How many customers do you have in Montana?

A. We were successful in the Master Charge in Montana and I believe we have on the neighborhood of 10 or 15 accounts.

Q. And do you know how much they represent in terms of [917] dollars?

A. I know that there are several large accounts. Collectively, I do not know.

Q. And you mentioned that you solicit in North Dakota. Do you know how many accounts you have in North Dakota?

A. Again, on the order of 20.

Q. I show you, Mr. Hogue, Plaintiff's Exhibit in evidence 26, which is the answer——

MR. MALASKY: This is the wrong one. I'm sorry. That's the wrong exhibit. Let me get another one.

Sorry, Your Honor.

Exhibit 25.

Q. I show you Plaintiff's Exhibit in evidence No. 25, Mr. Hogue. It says—refers specifically to the answer which the First National Bancorporation gave with respect to interrogatory 22-B, which asks to state the name and address of each commercial bank which maintained correspondent account with any bancorporation subsidiary as of December 31, 1969.

Are you familiar with this response?

A. Generally, yes.

Q. Would you accept my account that you had 12 correspondents from the state of Montana as of that date?

A. That's what the form says.

[918] Are you aware——

MR. METZGER: Objection, Your Honor, I will agree that the document states whatever it states.

Q. Are you aware of the fact that the total correspondent balances from the 12 banks in the State of Montana were approximately one-half that which were represented by the First National Bank of Greeley and the First National Bank of Denver?

A. On this particular form, I was not aware of that.

Q. Now, Mr. Hogue, I would like to show you Defendants' Exhibit No. 16. Are you familiar with this exhibit, Mr. Hogue, generally? Would you state what the title is?

A. The title reads, "Correspondent Bank Relationships of Colorado Banks."

Q. Do you know how many banks there are in the State of Colorado, Mr. Hogue?

A. Approximately 225.

Q. 227, would you accept that?

A. Fine.

Q. Do you know how many of those 227 banks have a correspondent relationship in Colorado?

A. I believe that you indicated 224.

Q. That was Denver. Would you agree with me that they all have a correspondent relationship in Colorado?

A. I don't know that that's the case. I would guess [919] that it is the case, yes.

Q. Do you know how many of those Colorado banks have correspondent relationships with banks in the State of Kansas?

A. No, I don't.

Q. Do you know how many have correspondent relation —would you believe me if I said that based upon this exhibit, it is nine?

THE COURT: Do you have any idea?

THE WITNESS: No, sir, I don't.

THE COURT: Well, then I don't know that it is of any value.

MR. MALASKY: May I go through——

THE COURT: To have him testify and ask him if it is true. Undoubtedly he believes you are truthful man.

Q. Are you aware of 227 Colorado banks only 36 have correspondent relationships in the State of Nebraska?

MR. METZGER: Your Honor, may I suggest counsel has switched in midstream. I don't know whether he is aware of it or not, but he has switched.

THE COURT: Sustained.

MR. MALASKY: All right, I will go back the other way.

THE COURT: Good.

Q. Mr. Hogue, do you know how many banks from the State of Kansas have correspondents in Denver?

[920] THE COURT: Do you know?

A. I have a form here that is selected from Polk's Director, 1971 Edition, of Kansas banks with the list of the town and the name of the bank and Denver correspondent. I have not tabulated this total.

MR. METZGER: That is a defense exhibit in this case, Your Honor. Whatever it says, it says.

THE COURT: Has it been received?

MR. METZGER: Pardon, Your Honor?

THE COURT: Has it been received?

MR. METZGER: Yes, Your Honor.

MR. MALASKY: Yes, that's correct.

Q. Do you know how many banks there are in the State of Kansas?

A. No, I don't.

Q. Do you know how many banks there are in the State of Nebraska?

A. No, I don't.

Q. Do you know how many there are in the State of New Mexico?

THE COURT: Is this designed to undermine him as a——

MR. MALASKY: No, Your Honor, defendants have introduced an exhibit purporting to show the number of correspondent relationships of banks and I believe it is five states, Kansas, Nebraska, New Mexico, Utah and Wyoming, with [921] Denver——

THE COURT: I think we have ascertained that he hasn't studied it.

MR. MALASKY: Well, this was the other side of the coin. I thought perhaps the witness might have some idea how many banks there are in the State of Kansas, and from that we could deduce how many there were with a correspondent in Denver, but if you have no knowledge of that I won't pursue this.

THE WITNESS: I do not.

MR. MALASKY: Fine, I won't pursue that line any further.

Q. Now, do you know what the total amount of deposits in the First National Bank of Denver from interbank demand deposits as of December 31, 1969 were?

A. I think that was—if that date is proper, that was part of Interrogatory 22. I believe there were 67 million.

Q. That's correct. Do you know what amount of the 67 million were from banks in the State of Colorado?

A. I don't know as of that date, no.

Q. Do you know what amount were from Wyoming, New Mexico, Nebraska, Kansas or Utah as of that date?

A. Not of that date, no.

Q. You mentioned the First National Bank of Pueblo and First National Bank of Colorado Springs?

[922] A. Yes.

Q. Do you have any idea what the total interbank or correspondent balances which those two banks have is?

A. No, I don't. I know that First National Bank of Pueblo I think by tabulations we made had 39 accounts down in the southern part of Colorado from Colorado banks.

Q. It is a fact, isn't it, that the overwhelming majority of the accounts in the First National Bank of Pueblo are from the southern part of the State of Colorado?

A. I would guess that's true.

Q. It is true that, also, is it not, the accounts at the Exchange National Bank of Colorado Springs or First National Bank of Colorado Springs are from their immediate, in quotes, area?

A. I don't know what the composition of either of those banks' correspondent account relationships are.

* * * * *

[924]

REDIRECT EXAMINATION

By MR. METZGER:

Q. Mr. Hogue, you spoke of depositors, that your bank operates as a depository for collateral. Is there any other way I could deposit funds in escrow accounts in this state?

A. You could deposit them with other banks or certainly with the Federal Reserve Bank of Denver.

Q. Does the Federal Reserve Bank perform this service for banks in Colorado?

A. Yes, it does.

Q. Second question, it was suggested that the Montana accounts by account balances constituted about one-half of the First National Bank of Greeley accounts as of December 31, 1969. Does that tell you, Mr. Hogue, the amount of activity in those Montana accounts vis-a-vis First National Bank of Greeley?

A. It does not.

Q. Does it tell you the profitability of those accounts vis-a-vis the First National Bank of Greeley?

A. Tells me only that one number is bigger than another.

MR. METZGER: Thank you, that's all.

[927] IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. C-2413

UNITED STATES OF AMERICA,
PLAINTIFF,

VS.

FIRST NATIONAL BANCORPORATION and FIRST NATIONAL BANK OF GREELEY,
DEFENDANTS.

PROCEEDINGS BEFORE THE HONORABLE WILLIAM E. DOYLE, Judge, presiding, United States District Court for the District of Colorado, Courtroom D, U. S. Courthouse, Denver, Colorado, commencing at or about the hour of 9:00 o'clock a.m., Tuesday, May 11, 1971.

APPEARANCES:

(As heretofore noted.)

* * * * *

[929] NORMAN M. POSTLES,

a witness called by and on behalf of the defendants, having first been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

By MR. SCHWARZ:

THE COURT: State your name, address and occupation, please.

THE WITNESS: Norman M. Postles, 2936 Nevermind Lane ——

THE COURT: What lane?

THE WITNESS: Nevermind Lane, Colorado Springs, Colorado. I am Vice-President and Chairman of the Board of the Northern National Bank of Colorado Springs.

Q. (By Mr. Schwarz) Mr. Postles, where does your bank clear its checks?

A. At the Colorado Springs National Bank and at the Federal Reserve Bank at Denver.

Q. Do you find the Federal Reserve Bank in Denver an acceptable substitute for clearing checks as opposed to Denver banks?

A. I do.

Q. Where does your bank place its overline loans?

A. At the Colorado Springs National Bank.

Q. Where does your bank do its bond trading?

A. Through several brokers and the First National Bank [930] of Denver.

Q. Where are these brokers located?

A. Some of them are located in Denver and some of them are located outside of the State of Colorado.

Q. Are these brokers non-bankers?

A. Yes.

Q. Where does your bank have its computer work done?

A. Kaman Nuclear, Colorado Springs, Colorado.

Q. Is this a bank?

A. No.

Q. Where does your bank have its escrow account for state deposits?

A. Federal Reserve Bank at Denver.

Q. Where does your bank do its safekeeping of securities?

A. Some are at the Federal Reserve Bank at Denver and some are at the First National Bank of Denver.

Q. Where does your bank engage in Fed Funds transactions?

A. Colorado Springs National Bank of Colorado Springs.

Q. Does your bank have a Denver correspondent?

A. Yes.

Q. Would you name that correspondent?

A. First National Bank of Denver.

Q. What do they do for you precisely?

A. Well, very little.

Q. Do you need a correspondent bank in Denver?

[931] A. No.

Q. Are the services you have just described sold to you as a package by various banks or are they sold on their individual merits?

A. They are sold individually.

MR. SCHWARZ: No further questions.

[932]

CROSS-EXAMINATION

By MR. LIPKOWITZ:

Q. Mr. Postles, would you tell us how big Northern National Bank is?

A. Our total assets are approximately eight and a half million dollars.

Q. And is your bank a downtown bank?

A. It is a suburban bank.

Q. In a suburban section of Colorado Springs?

A. Well, I should have answered the other question by saying it was an outlying bank.

Q. Does your bank have many occasions to make large loans for which you would need an overline?

A. A few occasions.

Q. Your bank is a national bank, so I take it you are required to be a member of the Federal Reserve Bank of Kansas City with its branch here in Denver?

A. Yes.

Q. And you must maintain reserves based on the amount of deposits you have at your bank?

A. Yes.

Q. And as a member of the Federal Reserve Bank, you are entitled to use these services at the Federal Reserve Bank, is that correct?

A. Yes.

[933] Q. Are there any extra fees to use these services?

A. No.

Q. Now, you also said that you use some services at First National Bank of Denver, is that correct?

A. Yes.

Q. And you maintain a correspondent account at the First National Bank of Denver?

A. Yes.

Q. You have to keep some money then at the First National Bank of Denver?

A. I am not required to keep any money at the First National Bank of Denver.

Q. Well, would they provide services to you for free?

A. They don't provide anything for me for free now.

Q. Well, you maintain an account at the First National Bank of Denver?

A. I do.

Q. This is true despite the fact that you get some of these services from the Federal Reserve Bank in Denver?

A. I don't understand.

Q. You have testified that you get services at the Federal Reserve Bank of Denver.

A. Yes.

THE COURT: He said he cleared his checks there. I think this has something to do with his account.

[934] Q. You said, for example, that you do some of your safekeeping at the Federal Reserve Bank and some at the First National Bank of Denver.

A. Yes.

Q. Why do you keep a correspondent bank at the First National Bank of Denver? Costs you money, doesn't it? You don't get any interest at the First National Bank of Denver on the money you keep there, do you?

A. No.

Q. Can you use the Fed for overlines?

A. No.

Q. Do you keep an account at the Colorado Springs National Bank?

A. Yes.

Q. Do you get any interest on the money you keep at Colorado Springs National Bank?

A. No.

Q. But if you didn't keep that money in those banks, you could presumably lend it out or sell Fed Funds with it or in some way earn some money?

A. Not necessarily.

Q. You can't sell Fed Funds?

A. I can sell Fed Funds.

Q. Is the interest rate on Fed Funds positive or negative?

[935] A. Positive.

Q. So you could earn some money on Fed Funds if you didn't keep the money at Colorado Springs National Bank or First National Bank of Denver or anywhere else you keep money?

A. I keep very little money there, that's what I am trying to say.

Q. Well, why do you keep even a little money there?

A. Well, why?

THE COURT: The First?

THE WITNESS: The First of Denver?
THE COURT: Yes.
THE WITNESS: Well, I only keep about $5,000 there.

Q. Why?
A. Well, we need it sometimes because when we purchase bonds perhaps from a broker in Denver or a broker located someplace else, we have the bonds sent to the First National Bank, and they have to be paid for and so we have a small amount of money there to pay for them when they arrive.
Q. This is a convenient to you?
A. A convenience, yes.
Q. Can you get computer services from the Federal Reserve Bank here in Denver?
A. No.
Q. Do you use any other services from the First National Bank of Denver?
[936] A. I failed to mention that they had my municipal bond portfolio analysis on their computer.
Q. Would the Federal Reserve Bank here in Denver do that for you?
A. No.
Q. Does Colorado Springs National Bank offer computer services?
A. No.

MR. LIPKOWITZ: No further questions.

REDIRECT EXAMINATION

By MR. SCHWARZ:

Q. Just one further question, Mr. Postles. Can a non-bank municipal bond house perform a bond analysis of a municipal bond portfolio?
A. On a computer service, is that what you are asking?
Q. Analysis?
A. Yes.

MR. SCHWARZ: No further questions.

RECROSS-EXAMINATION

By MR. LIPKOWITZ:

Q. But you find it convenient to use First National Bank of Denver's municipal bond analysis?
A. Yes.

MR. LIPKOWITZ: No further questions.

MR. SCHWARZ: That's all, Your Honor.

[937] THE COURT: You may be excused from further attendance.

(Witness excused.)

[938] MR. SCHWARZ: Defendants call Mr. Lester Pagels.

LESTER R. PAGELS,

a witness called by and on behalf of the defendants, having first been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

By MR. SCHWARZ:

THE COURT: Please state your name, address and occupation.

THE WITNESS: My name is Lester R. Pagels, P-a-g-e-l-s, 1341 Allison Avenue, Canon City, Colorado. I am president of the First National Bank of Canon City.

Q. (By Mr. Schwarz) Mr. Pagels, where does your bank clear its checks?

A. Federal Reserve Bank in Denver and the First National Bank of Colorado Springs.

Q. Do you find the Federal Reserve Bank in Denver an acceptable substitute for clearing checks as opposed to other Denver banks?

A. Yes.

Q. Where does your bank place its overline loans?

A. First National Bank of Pueblo and First National Bank of Colorado Springs.

Q. Where does your bank do its bond trading?

A. 99 per cent of my municipal bond portfolio is handled by a Denver broker.

[939] Q. Is this broker a bank?

A. No.

Q. Where does your bank have its computer work done?

A. First National Bank of Colorado Springs.

Q. How about its municipal bond analysis?

A. That is all done by our broker.

Q. Where does your bank keep its escrow for state deposits?

A. We have one pledged item at the First National Bank

of Denver which is the guaranteed portion of an SBA loan which is pledged for the state funds which we have. The rest of our municipal bonds are all held at the Federal Reserve Bank.

Q. Do you consider the Federal Reserve Bank to provide equivalent services in this area?

A. Yes.

Q. Where does your bank do its safekeeping?

A. First National Bank of Denver does and has had for a number of years safekeeping items for two customers.

Q. And the other safekeeping?

A. Is done at our own bank.

Q. Where does your bank purchase and sell its federal funds?

A. Handled by the First National Bank of Colorado Springs per telephone instruction.

Q. In addition to the items you have just mentioned, do [940] you have any other Denver correspondent relationships with a bank?

A. No.

Q. Do you need a Denver bank correspondent?

A. No.

Q. Are these services you have just described sold to you at your bank as a package or on their individual merits?

A. No. They are basically looked at individually.

MR. SCHWARZ: No further questions.

CROSS-EXAMINATION

By MR. MALASKY:

Q. Mr. Pagels, you stated that you used the First National Bank of Pueblo and the First National Bank of Colorado Springs. Does your bank presently owe any money to either of those banks?

A. No, not the bank as such, no.

Q. Do you owe any money to those banks personally?

A. Yes.

MR. SCHWARZ: Objection, Your Honor. This is beyond the scope of the direct, and also irrelevant.

THE COURT: Do you wish to pursue this?

MR. MALASKY: Well, Your Honor, I believe that the gentleman does have some bank stock loans with those banks and may affect the relationships he has.

MR. SCHWARZ: All we inquired into in direct, Your [941] Honor, is the simple fact where he obtains his correspondent balances and where he obtains——

THE COURT: What do you propose to show?

MR. MALASKY: Well, I think this is perhaps a reason why he maintains his correspondent accounts in Colorado Springs or Pueblo; is partially at least due to the fact that he does personally owe money to both of those banks.

THE COURT: Is that true, Mr. Pagels? Is that why you maintain these accounts in Colorado Springs and Pueblo?

THE WITNESS: No. With counsel's permission I would elaborate a little bit.

THE COURT: You can have my permission.

THE WITNESS: I suppose if I should borrow money or request anything I should have the First National Bank of Denver, because they were very instrumental in bringing me to Colorado.

Q. (By Mr. Malasky) Would you explain how that came about?

A. Well, at the time I was hoping to relocate in Colorado, it was done so through the First National Bank of Denver.

Q. Where were you located at that time?

A. Lander, Wyoming.

Q. Were you in a bank in Lander?

A. Yes.

Q. Did that bank have a correspondent relationship with [942] the First National Bank of Denver?

A. To be very honest with you I don't remember.

Q. Do you know who the primary correspondent of the Lander bank was?

* * * * *

Q. When you were in Wyoming, what was the correspondent bank your bank in Lander used as a primary correspondent?

A. I don't recall exactly.

Q. Do you know where it was located?

[943] A. One was in Casper and I believe—I'm sure there were accounts in Denver; however, I don't recall whether it was the Central or which bank it was.

Q. But your primary correspondent was in Casper?

A. I believe that is correct.

Q. Now, Mr. Pagels, is it your opinion that it is necessary to have a correspondent bank in the State of Wyoming?

A. Well, it certainly makes it a lot easier to facilitate the handling of items.

Q. Do you think it's a convenience?

A. Yes.

Q. Now, could the Federal Reserve Branch Bank here in Denver handle overlines for you?

A. No.

Q. Could they do your computer work?

A. Not that I am aware of.

Q. Could the Federal Reserve Bank do your bond analysis?

A. I don't believe so.

Q. Could they buy and sell Fed. funds for you?

A. I'm not at all certain. I would assume no.

Q. So that all you can use the Federal Reserve Bank here in Denver for is as I understand the clearing of checks and some miscellaneous safekeeping, is that correct?

A. We clear government checks through the Fed. and safekeeping.

[944] MR. MALASKY: I have no further questions.

REDIRECT EXAMINATION

By MR. SCHWARZ:

Q. Mr. Pagels, where would you have these various services performed assuming you had no personal loan outstanding?

A. First National Bank of Colorado Springs.

MR. SCHWARZ: No further questions.

THE COURT: What is the most essential correspondent service you can think of without which you couldn't even operate?

THE WITNESS: Well, there again I would assume it would be the fact that they clear our checks for us. They do our computer work for us.

THE COURT: This you have to have?

THE WITNESS: Yes.

THE COURT: That is clearing of checks, is that right?

THE WITNESS: As I mentioned it certainly makes it a lot easier to have something in the state to clear them through.

THE COURT: Okay.

Anything further?

MR. MALASKY: No, Your Honor.

MR. SCHWARZ: No, Your Honor.

THE COURT: Then you may be excused from further
945] attendance.

(Witness excused.)

MR. METZGER: The defendants call Dr. Nevins D. Baxter.

NEVINS D. BAXTER,

witness, called by and on behalf of the defendants, being irst duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

By MR. METZGER:

THE COURT: State your name, address and occupation, lease.

946] THE WITNESS: Nevins D. Baxter, 2450 Virginia Avenue, Washington, D.C. I am an economist; Vice-President and Director of Economic Research at Mathematics, Incorporated.

Q. What is Mathematics, Incorporated, Doctor?

A. It's a private research and consulting firm doing work for various federal government agencies, for state and localities, for private business organizations, including banks and financial institutions.

Q. What are your duties as vice-president of this organization?

A. I am in charge of the economic research division which consists of some 20 professionals. We conduct studies for our clients. My responsibilities include supervising the quality of the work, attain personnel, and working as a consultant on assignments myself.

Q. Dr. Baxter, I note from your resume that you have your baccalaureate from Columbia University. Were there any honors associated with that degree?

A. Yes, I received my summa cum laude and was elected to Phi Beta Kappa.

Q. And you received your Master's and doctorate from Princeton? Were there any honors associated with those degrees?

A. I had various fellowships during my tenure at Princeton.

[947] Q. And after Princeton I believe you taught at Wharton School?

A. I was Assistant Professor of Finance at the Wharton School for five years, 1964 through 1969.

THE COURT: Isn't this all in here?

MR. METZGER: Yes, Your Honor.

THE COURT: Do you have any objection to receiving this?

MR. SCHOEPKE: No, Your Honor. We have raised no objections.

THE COURT: It is received. We take notice of it.

MR. METZGER: Just briefly, Your Honor, to bring out certain qualifications with regard to banking——

Q. You consult with Federal Reserve Board and the Comptroller of the Currency?

A. With the Federal Reserve Bank of Philadelphia and with the Comptroller of the Currency, yes.

Q. And have you also consulted with banks in various parts of the country?

A. Yes, large and small.

Q. Have you written extensively in the field of banking?

A. I have written a number of articles, monographs, and they are listed on the biography.

Q. Doctor, plaintiff herein has advised the Court [948] that all banking markets in the United States are highly concentrated. And, the Congress in amending the Clayton Act spoke of its concern for a rising tide of economic concentration. Are those terms being used in the same sense in both contexts?

A. Well, I believe that the congressional standard looked towards a rising tide of economic concentration in the nation as a whole. We were concerned with various industries and with national benchmarks and with the number of firms declining and the importance of the largest firms in a national market becoming greater. Highly concentrated, as I interpret the sense of the plaintiff's testimony, refers simply to numbers in certain markets describing certain market shares. It's simply a numerical standing.

[949] Q. Did the term "overly concentrated," as used by the Congress imply anything with regard to structure or economies of scale?

THE COURT: You mean a small number of competitors occupying or dividing up the market share?

THE WITNESS: Yes, and looking at national trends across many industries.

THE COURT: You mean you were characterizing how you interpret the plaintiff's position, is that right?

THE WITNESS: Not at first. I was——

THE COURT: That's what I am asking you about.

THE WITNESS: Well, as I interpreted the definition of highly concentrated here was simply in terms of certain market shares that they were applying to banking at the present time.

Q. The plaintiff?

A. The plaintiff, yes.

Q. And was the Congress' concern with levels of concentration which approximated economies of scale or was it something that went beyond that?

A. They were concerned with levels of concentration that went far beyond the advantages of economies of scale.

Q. So, if we have an industry which had five or six entrants and those five or six entrants roughly approximated the maximum efficiencies associated or the major efficiencies [950] associated with that business, would that be considered a highly—an overly concentrated industry?

A. I do not believe so.

* * * * *

[951] Q. Doctor, is banking as an industry concentrated or trending that way?

A. I would say no, Mr. Metzger. To take some national figures, in 1940, the ten largest banks in the United States had 27 percent of the assets, and at the present time, 1969 figures, 25 percent, slightly trending downward. If one [952] looks to the 100 largest banks, it was 57 percent in 1940, 51 percent today. If one looks at local markets, one gets very much the same picture.

Q. And, Doctor, referring to Defendants' Exhibit Number 20, which relates to the number of banks in the United States, how would you comment on the trends on numbers of institutions?

A. The number of banks increased rather steadily from the beginning dates of this table and the beginning of the national banking system, and in 1900 reached approximately the same number as we have today. There was then a very rapid rise from 1900 until right through 1920 or the early 1920s, and then a very rapid decline through the '20s and '30s, and since 1945 there has been a slight increase.

* * * * *

[954] Q. Doctor, do the numbers of banks in the United States offer any indication to you as to the trends in banking nationally?

A. Insofar as numbers show the number of alternatives on a total national market, they do describe the trends, yes.

Q. What trend do you observe over the immediate past?

A. In the last ten years there has been an increase in the absolute number of banks. There have been, I believe, 2500 banks chartered nationally.

Q. Doctor, what are the convenience of banks to the public, that is, the availability of banking facilities and offices to the public? Could you look at Defendants' Exhibits Numbers 22 and 23?

A. Well, they look at population per bank and per banking office in various states, and the population per banking office in recent years has declined as branches have been established in states permitting branches. There was a very rapid decline from 1880 to 1920 in the population per bank. The population per banking office has in mjore recent years declined to approximately the level I believe in 1920.

MR. SCHOEPKE: Now, Your Honor, with all due respect——

Q. 1900?

[955] A. 1900.

* * * * *

Q. Doctor, we have addressed ourselves to the development of the banking structure in the United States. Could you look specifically to the trends in Colorado which are responsible for the current structure of that market, and I call your attention specifically, Doctor, to Defendants' Exhibit Number 28.

A. First, let me suggest that Colorado, being an agricultural state, had a very rapid decline in the number of banks during the 1920s and an increase in recent years. Exhibit 28 shows these trends. In the early years of this exhibit, the chartering—the minimum capital required to [956] charter a national bank was $50,000. They were mostly private banks in the state. Te number of national banks increased steadily. In 1877, the state chartering authorities began to operate and the minimum capital there was $30,000. The states and national banks then both continued to grant charters through the last few decades of the 19th Century, and you notice in the crash of 1893 there was a decline in the number of banks, mostly in state banks with the lower capital requirements and in private banks which were not so regulated.

In 1900——

Q. Doctor, you know what happened in Denver in 1893?

A. Yes, there were 17 banks in Denver and in a four-day period 12 of those banks closed.

* * * * *

[957] Q. We are at 1900.

A. Yes, Mr. Metzger.

THE COURT: Covered the panic of 1893.

A. (Continued) In 1900 national bank minimum capital requirements were reduced to $25,000 from $50,000 and the significance of this is a very rapid increase in the number of national banks chartered, starting from that year. In 1907, the state capital requirements were reduced to $10,000 from $30,000, and one can then see the great race between the national and state banking authorities to charter new [958] banks, very rapid increase from 197 banks in the state in 1907 to 404 banks in 1920, which was the peak in Colorado and I believe the peak or very close to the peak year in the nation as a whole.

Now, from that time, there is a steady decline in the number of banks, a very rapid decline during the 1920s, as I have mentioned, in an agricultural area. Although it was a time of general prosperity in the nation as a whole, the agricultural states were not really sharing in that prosperity, and we see that by 1929 the number of banks had been cut to 275 and——

Q. To what do you attribute this decline, Doctor?

A. There was—due to the overbanking that had existed, there was a steady drop due to a number of bank failures, and during the 1930s this trend continued, a drop in the number of banks to 145. In 1939—interestingly enough, the deposits in Colorado in that year, in 1939, were the same as they were in 1920, or very close. 1938 and 1920 were very, very close, but the number of banks had been reduced by about 60 percent.

Slight decline during the war years to a low of 138 in 1945 and then a gradual increase again in the number of banks going through the '40s and '50s. In 1960 there was 164 banks, representing 162 banking organizations. The Western Bancorporation owned three banks in that year, [959] accounting for that difference. Since that time there has been a steady increase in the number of banks, which

goes in with the national trend, but much more striking here. There are now 228 banks, representing 198 banking organizations, so both factors are up, and one might also note parenthetically in the last ten years the share of the total Colorado market held by the First National Bank of Denver has declined a little better than two percentage points.

Q. What do these numbers, particularly referring to 1960 to 1970, tell you with regard to trends in banking in Colorado, Doctor?

A. Insofar as the number of banks in the state, the number of alternatives in the state is meaningful and important. One has a trend showing an increase in the number of banks and a decline in the concentration of—if one would use that term.

Q. Referring to Defendants' Exhibit Number 29, Doctor, which speaks of concentration and the deposit concentration of the five largest banking organizations in the State of Colorado, the years 1961 and 1970, would you care to comment on the significance of this document, sir?

A. I—well, I think it is very important to point out here what the statewide figures mean and what the statewide trends mean, and I would caution that implicit in an analysis of these sorts of figures is an acceptance that [960] the state is really a meaningful market, because one is talking about the alternatives in the state and we have been talking about the number of banks, and now I turn to talk about market shares, about concentration ratios of the largest banks. Implicit in that is this assumption that the state is a market, that these firms do their commercial banking business within the state, do very little from outside the state, that these are the only effective competitors within this geographic region. I don't happen to think that the state is a meaningful economic market on which to judge these trends, on which to judge competition and concentration, but, nonetheless, these sorts of figures have been used as benchmarks elsewhere, and with that caution and in that context I can describe what trends they show.

Q. Doctor, do you believe then that there are a substantial number of customers who are statewide in scope?

A. I believe that there are very few customers who are limited to the state as a market, if any. Customers who are large enough to shop around the state are undoubtedly large enough to consider themselves in a national or certainly in a regional market for banking services. Most cus-

tomers are essentially limited to a relatively local area. Larger firms can travel significant or substantial distances, so I would believe there would be very few who would consider themselves confined to a state.

[961] Q. For the bulk of banking customers, Doctor, how would you characterize the nature of their banking market?

A. I would say they were essentially local in nature.

Q. Thank you, Doctor. And referring to Defendants' Exhibit Number 29, what significance do you attribute to this exhibit with these caveats?

A. Well, with these caveats, the share of the market, the share of Colorado deposits held by the five largest banking organizations has declined 3.2 percent, from 52 percent to 48.8 percent, over the last decade, and that's 48.8 percent including the acquisition of the First National Bank of Greeley by the First National Bancorporation.

[962] Q. Then does this document support a contention of a trend towards concentration in the State of Colorado?

A. No, it absolutely does not.

Q. Turning your attention, Doctor, to Defendants' Exhibit No. 30, and again recognize your caveats with regard to the validity of statewide data, I ask you to examine the context of Colorado in the share of deposits controlled by the largest banks in Colorado with all other states.

A. It ranks No. 33 and therefore is just about in the bottom third of the nation in terms of these concentration ratios.

Q. Is it possible, Doctor, to refine these gross statewide concentration ratios in any way?

A. Well, I would be interested in determining the relevant market share of the largest banks as applied to particular classes of customers. Because, particular classes of customers have particular geographic ranges over which they can seek banking services. And since we are concerned with what significance the share of the five largest banks have, we should look at the type of customers that they refer to.

Q. Referring to Defendants' Exhibit No. 35, Doctor, which is excerpted from the Federal Deposit Insurance Corporation's analysis of accounts and deposits, mid-year 1968, would you tell us what this document purports to do, Doctor?

A. Well, it shows the five largest banking organizations [963] in Colorado and their relative shares of deposits

and of the number of accounts by size classification of customers. If we look at the top, at just dollars of deposits, we see that these five largest banking organizations had just over 48 percent of the deposits in the state. But, when we concentrate on depositors with accounts under $1,000, the share is just 25 percent. On the other hands, as a matter of arithmetic to balance it out, when we concentrate on depositors with accounts over $100,000, we are up at 78 percent. So these larger banking organizations are relatively more important as regards the largest depositors, and much less important as regards the smallest depositors.

* * * * *

[964] Q. (By Mr. Metzger) Doctor, is there any ongoing theory in the banking field about the nature of deposits of a hundred thousand or larger?

A. At some point there is a cutoff for size of deposits in which we would deem that customer to be in a national market. A hundred thousand dollars is a cutoff point that is widely used. In any event, we can certainly say that these largest customers for which the five largest banking organizations in Colorado are most important—we can say that these customers have much wider alternatives than Colorado and we can certainly say that the smallest customers which are limited to their local areas, the largest banking organizations are less important in terms of smallest customers.

Q. Does the First National Bancorporation, both in dollars and numbers, closely accord with those in other large banking organizations? Or, is it more striking?

A. Well, it is somewhat more striking, Mr. Metzger. Of [965] the 15 percent of the total number that the First National Bancorporation holds, it has 5.7 percent in the zero to a thousand dollar depositor category so that is more striking than the 25 to 48 for all organizations and similarly they have 27 percent of the market in this $100,000 and up which is again somewhat more striking than the five as a whole.

Q. And what conclusion would you draw from this exhibit with regard to the smaller customers with which the courts are concerned in protecting in these affiliation cases?

A. The market in terms of this market measure or share of the largest banks is highly unconcentrated.

Q. It at least is at a level considerably different from that which raw data would infer?

A. Yes.

Q. Turning your attention to Defendants' Exhibit No. 31, Doctor, I believe this is a predicate to the next exhibit, is it not?

A. Yes, it just divides the states—this classifies the states by the law regarding the ability to branch, statewide, limited, and no branching.

Q. Turning to Defendants' Exhibit No. 32, Doctor, this breaks down the control of deposits by the five largest banking organizations between the statewide branching states on the one hand and those states which have no or extremely limited branchings. What is the most striking number that you observe [966] on these documents, Doctor?

A. That the statewide branching states as measured in this way have much higher concentration ratios of the five largest banking organizations. The total of 14 states with unlimited branching of 85 percent held by the largest banks, whereas the other states have only 38 percent held by the five largest banks. So, there is quite a substantial difference in this one measure of your—of statewide concentration among these groups of states.

Q. From these numbers, Doctor, would you conclude that the citizens of the statewide branching states have fewer alternatives for banking than the citizens of the limited branching states?

A. No, Mr. Metzger, because we would have to inquire as to what the alternatives were as to the context of the local banking markets. This only tells us about the state as a whole. It doesn't tell us about how many alternatives they have within the markets in which the customers do business.

Q. Turning, Doctor, to Defendants' Exhibits No. 33 and 34, is this an attempt to meet that inquiry?

A. Yes. We were interested in comparing the unlimited statewide branching states with the limited and unit banking states in communities of specific size ranges, five to ten thousand, ten to fifteen, fifteen to thirty, and thirty to fifty. The first table of these two, No. 33, Defendants' [967] Exhibit 33 shows that taking the—for each size of city——

THE COURT: Hold up just a second. Is this an issue in the case? Is there a dispute as to the philosophical soundness

of branch banking against unit banking? I didn't think it was.

MR. METZGER: It is the contention of the plaintiff herein, Your Honor, that vertical foreclosure in the State of Colorado has reached a point beyond which it ought not be permitted to go in this correspondent banking field.

THE COURT: Well, I'm not going to rule in favor of them as to any imaginary horribles, and I am not going to rule in favor of you as to their nonexistence. So, just make up your minds to that. Whatever my ruling will be, it is not going to affect other banks in this state. I'm not going to make findings with respect to this kind of matter. Because, I don't view it as an issue in the case. So I don't think either one of you ought to try the other pending cases in this case.

MR. METZGER: No, I was not trying to try pending cases, Your Honor.

The COURT: Well, you would be much obliged if I would give you some kind of finding that would close the door to these other cases.

MR. METZGER: That was not my intention at all, Your Honor. I'm restricting myself to the question of whether or not the unit banking system better serves the needs of the [968] customer than does the significant branching or their alternative, the holding company structure, throughout a state. This is the only question toward which we are addressing ourselves here.

MR. SCHOEPKE: I don't believe we ever mentioned that in our complaint. We never raised the relative merits of branch banking versus holding company banking.

THE COURT: I don't see how you could because there is no per se problem here.

MR. SCHOEPKE: This is a matter for the Colorado State——

THE COURT: Acquisitions in general are not condemned by statute. This is for the Congress to determine I suppose and not—It may be interesting, but I just don't see that I am in any position to pass on it in the first place. I don't see that it's an issue, secondly.

MR. METZGER: All right, Your Honor. Let's pass on from that exhibit to the particular size category we are talking about.

Q. Doctor, could you turn to the cities of the thirty to fifty thousand population and tell us how many alternatives there are in cities of similar size to Greeley?

A. Still on Table 33, Mr. Metzger, where we are looking at the average number of commercial banks per city. Greeley with six banks joins the category of five or more. There are [969] only 15 percent of the cities in the United States of 126 cities in the United States in this size category, only 15 percent of these have five or more banks. Greeley has six. There are only two banks with more——

Q. Cities?

A. Cities with more banks than Greeley in this size category.

There is a city with seven and one with ten.

Q. Turning to the table in Exhibit No. 34, Doctor, which concerns itself with banking organizations, would you care to comment upon the posture of Greeley with respect to all cities of similar size in banking organizations?

A. Yes, there are four banking organizations in Greeley. Twenty-seven percent of the cities in the country have four banking organizations. Only 8.7 percent of these cities have five or more. So Greeley stands with—and I should point out that 48 percent have three banking organizations, 16 percent have two banking organizations. So Greeley—there are only 8.7 percent of the cities that have more banking organizations than Greeley, cities with the same population categories.

Q. And how many banks do those cities have, Doctor, if you know?

A. I believe that there is one with seven and the remaining have five, or one with six and the remaining have five.

[970] Q. So that Greeley has—in cities of its size category, Greeley has as many or more banking organizations of more than 90 percent of the cities of its size category?

A. That is correct.

Q. Does this indicate to you, Doctor, that the City of Greeley is poorly served in the number of banking alternatives?

A. Given these figures of banking organizations relative to the size of the city by all national benchmarks, I would conclude that Greeley is well served in terms of number of alternatives.

Q. Doctor, turning your attention to Exhibit No. 26 and Exhibit No. 27, which deal with the national ranking of the First National Bank of Denver and the First National Bank of Greeley, will you tell us what these exhibits mean to you, Doctor?

A. Well, they simply show that the First National Bank of Denver—we are dealing with a bank which is 112th in the nation, having declined 14 notches since 1963, and looking at Greeley we are talking about a bank which has declined from better than 1200 in the nation to 1351. So it has declined over 150 notches in the last decade.

The First National Bank of Denver is just sort of at the borderline of being considered a reasonably large bank on national standards. The First National Bank of Greeley is a medium-sized bank.

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[972] Q. Doctor, referring to Defendants' Exhibit No. 27, is it not true that the deposits of the First National Bank of Greeley have doubled in this time span?

A. Yes, they have doubled, Mr. Metzger, but during this period the deposits in the nation as a whole have significantly more than doubled from 230 billion to 528 billion. So Greeley didn't grow as rapidly as the nation as a whole although the momentum of their business did give them growth.

Q. What does this suggest to you with regard to the First National Bank of Greeley, Doctor?

A. Well, it would imply that either the community didn't do as well in deposit growth as the nation as a whole or that [973] the bank, as a part of its community, that its market share within its community declined and it is in fact the second case which is true.

MR. METZGER: Your Honor, may it please the Court, if the Court is inclined to take a morning recess, this is a convenient breaking point.

THE COURT: All right.

I was kind of curious—Do you mean to say—are you saying that the First National Bank of Denver is experiencing slippage?

THE WITNESS: No, Your Honor. Greeley.

THE COURT: Oh.

THE WITNESS: I was discussing from Table 27 the fact—Mr. Metzger asked me about the fact that the deposits had nearly doubled during this period in Greeley and I suggested that this was in fact slower than the national average rate of deposit growth and indeed this was due to the fact that they had lost part of this market share, a fact which has been brought out previously in the record.

THE COURT: I had been led to believe that the First National Bank of Greeley was showing some progress in the last few years whereas it has been losing its share of the market theretofore. But, maybe this isn't true.

Okay. We will take a short recess.

(Whereupon the trial recessed at 10:28 a.m.)

[974] (After a recess, the Court reconvened at 10:52 o'clock a.m.)

Q. (By Mr. Metzger) To digress momentarily, Doctor, what was the share of deposits of the Greeley banks held by the First National Bank of Greeley in 1965?

THE COURT: In relationship to——

MR. METZGER: To other banks in Greeley.

THE COURT: Okay.

A. Total Greeley was 36.4 percent.

Q. And today?

A. 32.6 percent.

THE COURT: What was that 36?

THE WITNESS: 36.4 in 1965, and in 1970 it was 32.6, so it was that the decline that you asked me about before the recess has been steady.

THE COURT: Yes. Of course, their deposits have been gaining, nevertheless, isn't that right? I mean, what you are saying is they have been making a slower gain?

THE WITNESS: They haven't done as well as the immediate competitors in the City of Greeley have done, relatively. They have shown——

THE COURT: Well, they are competing with two bank holding company organizations, for one thing.

THE WITNESS: Well, I think later we will get into the fact that most of the—that the ABC banks have done [975] relatively well. The United Bank of Greeley has not increased its market share since United has been in there, so it has been mostly the ABC banks, the Greeley National and its two affiliates, which have taken the largest share of the growth.

Q. Doctor, does this relative decline in the First National Bank of Greeley long predate the formation of these holding companies which compete with the First National of Greeley?

A. Yes, Mr. Metzger, it has been steady since 1950, steady decline from just under 50 percent of the market in 1950 to

under a third today. It is the Defendants' Exhibit 39 that has those figures and I will be talking about.

THE COURT: You are going to talk about your opinion as to what this is attributable to?

THE WITNESS: Yes.

THE COURT: Later on?

THE WITNESS: Yes.

Q. Doctor, addressing ourselves to the allegations that this affiliation would tend to entrench the First National Bank of Greeley in its market position to the detriment of developing competition in Weld County, can you tell us what you understand this term "entrenchment" to mean?

A. I would think of the term "entrenchment," Your Honor, [976] in terms of two separate meanings. The notion of entrenchment whereby a market share is achieved through better performance, through building a better mousetrap, through offering a wider variety of services at lower prices, this type of growth in market share, in industries where there is nevertheless reasonably free entry or quite free entry would not be the notion of entrenchment as I understand the plaintiff to be using it in this case. The other notion of entrenchment, where market share, accompanied with substantial barriers of entry, increasing market share achieved by using large financial resources to keep new firms out of the market, this type of entrenchment is, I think, undesirable, but we would have to distinguish between the two types of larger market share achieved by an entrant into a market.

THE COURT: Well, I think they complain about the results as well as the nature of it, the character of it. I think what they say is, once—what their witness said is that, once the condition exists, that you are going to have undesirable practices. They are going to just flow automatically from the fact of this condition.

THE WITNESS: Well, Your Honor, if I may respond to that, in an industry where a firm by virtue of its size is able to keep new entrants out, then this theoretical proposition is a valid one, could be a valid one. You could have undesirable effects once a firm achieves a large size. [977] It can then turn around and raise its prices and not do a very good job. In an industry where entry is relatively free, where capital requirements, where technological require-

ments are not enormous, then once such inferior performance came about or the threat of such inferior performance came about, the chartering authorities in my judgment would recognize this and there would be people knocking on the door to go in and compete, because the know how is there and the capital is there.

Only if the performance remained good, superior, and advantages were taken of the scale economies that exist would there be no incentive to allow a new entrant to come in and compete away some of these excess profits, so I think this is a distinction which we must draw in this context.

Q. In that context, Dr. Baxter, how many new banks have been organized in the United States in the past ten years?

A. I believe the figure is about 2,500, Mr. Metzger.

Q. And in Colorado?

A. Som 600.

Q. How many zeros do we have in that?

A. Some 60, excuse me. Excuse me.

Q. Are these entries into a given industry in a decade and into a given segment of that industry in a decade consistent with difficult entry conditions, high barrier, [978] technological or capital barrier?

A. No, they are not consistent.

Q. What has the question of barriers to entry via utilization of market power such as advertising done?

A. Well, in some industries advertising can be used effectively as a tool for entrenchment. Where products are not highly differentiated and when consumers are making purchase decisions very frequently, high turnover type industires, firms can spend a great deal of money effectively on advertising and thereby change consumer loyalties, and this is the way they effectively differentiate their products. I do not think that banking is that sort of industry. In banking there are established relationships based on quality of service, knowledge of the individuals and so on. You don't change your banking relationships daily, although it can, of course, change when circumstances would require it.

Q. Would the piggy-back advantage of my name appearing on a Denver advertisement be a significant advantage in a Greeley bank?

A. I don't think so at all.

Q. We have discussed thus far some theoretical aspects

of the argument re entrenchment. Do you believe that this theoretical discussion carries us very far, Doctor?

A. Well, I would much prefer to have some hard evidence supporting it, based on what has actually happened [979] in the state, whether entrenchment in terms of increasing market share, in terms of actual barriers to entry, have actually existed, and I would look first to the acquisitions of the First National Bancorporation, but they have not had any experience with acquisitions that we can learn anything from, so, therefore, I would want to address myself to the acquisitions of the other holding companies in the State of Colorado and see what happened in the particular markets that they entered in terms of market shares, in terms of new entrants.

THE COURT: Well, I suppose it would be relevant to inquire as to what the relationship of United Banks has been with the First, because that's going to be an important——

MR. METZGER: We will get to——

THE COURT: —relationship in the Greeley market, I suppose. I mean, as the plaintiff maintains, it is just as clear as can be that once you get these concentrated entities in there, that they are going to divide up the market and engage in parallelism, so I suppose it would be pertinent to inquire as to whether they have done this in any other place or in Denver, particularly where they are closer.

MR. METZGER: We are getting directly to that point, Your Honor.

[980] Q. Turning first to the Western Bancorporation, which is the oldest holding company and has the longest history, Doctor——

THE COURT: The biggest, too, isn't it?

MR. METZGER: The largest, the very largest.

THE WITNESS: Eleven billion, Your Honor.

THE COURT: All right.

Q. (Continued) Have you examined the market in which the Western Bancorporation has operated since it first acquired banks in Colorado, Dr. Baxter?

A. Yes, I have, sir. In 1956, they entered Fort Collins. There has been virtually no change in the market share of the First National Bank of Fort Collins.

Q. What was the position of the First National Bank of Fort Collins at the time they acquired it?

A. It was the largest bank in the market, having just

under 50 percent. I don't have those figures in front of me, but it just had under 50 percent then and remains about the same today.

Q. Would you believe me if I told you from Exhibit 2 that you derive it as just over 50 percent in both instances?

A. I apologize, sir.

THE COURT: He would believe anything you said, I believe. Okay.

Q. And has there been any other changes in market [981] structure in Fort Collins?

A. Yes, there have been two new banks organized. In 1962, University, which now has deposits of 6.8 million dollars, and in 1963, the Rocky Mountain Bank, which now has a deposit base of 3.5 million, so the substantial size of the First National Bank of Fort Collins and the acquisition of that bank by the Western Bancorporation did not prevent in any way these two new banks from entering the Fort Collins market and from doing reasonably well and being perfectly viable institutions.

Q. Did you analyze the impact of the Western Bancorporation in any other markets in the state?

A. Yes, in both other markets, Mr. Metzger.

The American Bank, acquired in 1956, had then 5.7 percent of the Denver market. Now it is at 6.1 percent, so there has been a slight increase, but nothing very striking. They have maintained themselves and their growth in Denver and picked up just a very little bit.

Q. Have new banks organized in Denver during that period?

A. Many, Mr. Metzger.

Q. And any other banks?

A. Yes, in Englewood they acquired the Continental Bank in 1956. There were two banks in Englewood. There are now three: Republic National was chartered in 1965. It is [982] up to $8 million in deposits. The relative shares of the First National and the Continental have not changed significantly since 1956, so this then is the experience of the three markets that Western has entered.

[983] Q. Doctor, turning to those markets in which the United Banks of Colorado have had some experience, would you look at Defendants' Exhibit No. 36 through 39.

A. Yes.

36 refers to Boulder. What's happened in the Boulder

market. United bought Mercantile in 1966. At the end of 1965 this bank had 20.1 percent of the Boulder market and—I guess this is the end of 1970, this last figure—it was down to 17.2 percent. So, United lost 3 percentage points in the Boulder market when it entered—since it has entered. And that is anything but the sort of entrenchment effect that one could hypothesize.

Q. And Table 37, Doctor?

A. Table 37 refers to Littleton. United entered in this market in 1964 through the purchase of the Arapahoe Valley Bank. In the same year the First National Bank of Southglenn was chartered as an affiliate of the First National Bancorporation, and despite—I should note that the bank which United bought, Arapahoe Valley, had been growing very rapidly up until they came in and in the years since then has just pick[illegible] up a few points. The other new bank entering the marke[illegible] First National of Southglenn, has done quite well and there is no evidence there of entrenchment either.

Q. And Table 38?

A. Refers to Aurora where United acquired the Bank of [984] Aurora—I believe that was the name of it—in 1963. They then had 41.7 percent of the market. They now have 26.4 percent of the market. The Aurora National Bank which was a newly chartered organization grew very well and now has a market share below—although it was started only in 1963 now has a market share that is larger than the United Bank of Aurora, so this independent bank evidently did a pretty good job in attracting customers in that particular community even though United was there.

Q. And has there been a new charter in Aurora within the last year, Doctor?

A. Yes. There was a new bank organized in 1971.

Q. Turning your attention to Defendants' Exhibit No. 39, Doctor——

A. Well, this is the Greeley market which is of particular interest to me here. We have noted already the decline of the First National Bank of Greeley's share. But, addressing ourselves to the former Weld County Bank, marked here as United Bank of Greeley, its share was 21.2 percent in 1964. United came in in 1965. This share has not significantly changed. It was down a bit and has sort of fluctuated. It's now 21.8 percent. So United has not picked up any portion of their market since they came into Greeley. At the

same time the new banks that were chartered in 1962 and 1963 have done pretty well.

[985] Q. Doctor, referring to the market share of the ABC Banks, when were these Greeley banks affiliated with the holding company?

A. Just about one year ago.

Q. So then would you say that the growth of the Greeley affiliate banks derive from its position as a member of a holding company?

A. No, it would have nothing to do with that.

Q. And basically its share has risen from 33 percent to 43 percent? On what basis would you justify that increase, Doctor?

A. Probably done a better job, Mr. Metzger?

Q. Summing up then on the question of entrenchment, Doctor, and addressing yourself to the real evidence that we have encountered on the subject, what would you say the evidence in this case shows concerning the likelihood that the First National Bancorporation would entrench a market share for the First National Bank of Greeley?

A. I think that there is no theoretical basis and no actual basis in terms of what has happened to believe that any sort of such entrenchment would take place.

Q. It has been suggested, Doctor, that this affiliation might trigger other affiliations by other banks with other holding companies. Have you considered the question of triggering as it applies to this industry, Doctor?

[986] A. I think that the notion of triggering is not at all applicable in an industry regulated the way that banking is. Every merger, every acquisition of a bank holding company is looked at very carefully by the approving agencies and by other agencies which submitted advisory opinions. It is possible in this industry to catch any particular merger or acquisition which might be anticompetitive—which is deemed to be anticompetitive—it's possible to catch it before it occurs. In other industries where the concepts of triggering has been used you have one particular type of acquisition and then you can have a large number of them before you test it again through the courts. In this type of regulated industry where there are opinions given and permission and authority must be given, I don't think the concept makes any sense.

Q. Do you know of any other industry besides banking in which the antitrust division of the Department of Justice is

required to make a specific evaluation of the competitive effects of merger or affiliation?

A. I do not.

Q. Did this bear upon your judgment on the question of triggering?

A. Yes indeed.

THE COURT: Well, there is a trend going on, isn't there, in these acquisitions? Hasn't there been for a period of several years?

[987] THE WITNESS: In the acquisitions in Colorado and specific?

THE COURT: Yes.

THE WITNESS: Well, I think that there is a change in the banking structure taking place through these acquisitions.

THE COURT: Well, they have been going on. I mean I don't know what triggered them but I suppose a lot of factors; a need perhaps to compete with the building and loan society may have had something to do with it. But, in any event, the board of governors issues these consents pretty readily, do they not?

Q. (By Mr. Metzger) Doctor, would you address yourself to that question of why the board of governors is approving the movement of holding companies across the State of Colorado? And other states.

A. From reading their opinions and in terms of my own judgment, I believe that the acquisitions by holding companies in the State of Colorado allows substantial advantages; larger organizations in terms of economies of scale and in terms of better performance which will be things that I will be addressing myself to.

And that in the judgment of the board of governors as they have stated the judgment that I agree, these types of acquisitions can have substantially pro-competitive effects in [988] the areas that the holding companies are moving into. And, in that sense as the banking structure changes from the essentially unit banking structure to one where holding companies might be represented in more of the major cities, that this would have concurrent with it a more competitive banking industry.

Q. And is this opinion reflected in opinions you have recently read by the Federal Reserve Board?

A. Yes, it is.

Q. And do you believe that there are economies of scale

dependent upon the movement of holding companies into these markets?

A. I do.

Q. And just to carry that point a bit further, Doctor, do you believe that the development of statewide holding companies is an affirmative or negative element in the convenience of the populace of these areas in terms of the ultimate number of outlets that you may seek in these markets?

A. You would have more outlets in more local banking markets with a holding company structure than you will with a unit banking structure. And therefore, the competitiveness as well as the convenience in these local markets will be substantially enhanced?

MR. SCHOEPKE: Once again, Your Honor, I must object that the basis of this suit is not an attack against the holding [989] company system. It is an attack against these particular acquisitions. We have no position as to whether the holding company system per se is good or bad. It's the competitive effect of acquisitions involved in the movement.

THE COURT: I believe though you did offer evidence that if we do this, why, something else will happen in the future. Isn't that right?

MR. SCHOEPKKE: (Nods affirmatively.)

THE COURT: That this will trigger something else. It places us in a position where it will be more difficult to decide favorably to the Department of Justice than some other case in the future. This kind of thing has been offered by you, isn't that right?

MR. SCHOEPKE: Yes, Your Honor. I simply want to make clear, we are not attacking the holding company per se. It is the effect of the particular acquisitions or series of acquisitions or those others that may be triggered that is the core of our inquiry. I simply don't want the Department of Justice to be equated with some position on holding companies per se. Holding company are permissible. That's the law of the land. We are attacking the competitive consequences of one or a series of acquisitions under that law of the land.

Q. (By Mr. Metzger) Let's talk then about specific performance in Greeley, Doctor, and calling your attention to Defendants' Exhibit 39. You have already testified that the [990] market share of the First National Bank of Greeley

has declined from 50 percent to 32 percent in the past 20 years. Have you yourself looked at this bank and attempted to evaluate the reasons for this market share loss?

A. Yes, I have.

I have spent considerable time talking to officers of the bank. My evalautions in—is that in terms of aggressiveness of the bank, in terms of depth of management and ability to get the right people there, that this bank has not done well. The chief executive, Mr. Gilbert, is by his own admission not a banker. He came into the situation some years ago. Mr. Eaton, the executive vice president, has serious health problems and beyond these two top people in the management, my evaluation from my discussions with them was that they were not impressive. They didn't impress me as being aggressive, forward looking bankers, doing sort of—the sort of planning that one would do; the sort of solicitation that one would make on customers, and this type of performance has meant that they just have not kept up.

I would point out that this is much the same as Mr. Thomas's testimony yesterday.

Q. Have you made a similar inquiry into the structure of senior management at the First National Bancorporation?

A. And the First National Bank of Denver, yes, I have. Yes, I have had many meetings with heads of various departments [991] in this bank and we have heard testimony yesterday about management training programs; about the sort of specialized personnel they have and I am very much in accord with what was said yesterday in terms of the generally high quality and training of the sort of people that an organization like that would attract.

* * * * *

[992] Q. And then it is therefore your judgment, Doctor, that the First National Bancorporation can make a significant contribution to this management situation you see in Greeley?

A. Oh, I think that they indeed could do a very good job in terms of going out and getting new business for the bank, by offering better services and in terms of providing management depth, and in terms of providing specialization. Also, the issue of capital—such as in terms of making agricultural loans which we have heard some testimony about and the strong needs in the agricultural area for large lend-

ing without detracting from other types of loans that banks have to make. In this sense I think the First National Bancorporation could also be extremely helpful.

Q. While you are on that subject, Doctor, turning your attention to Defendants' Exhibit No. 8 which has to do with the loan portfolio of the First National Bank of Greeley, would you characterize the lending activity of this bank as characteristic, average or specialized?

A. Well, they are very much specialized in farm lending, Mr. Metzger. 36.7 percent of their loan portfolio in 1969 was in farm lending as compared with only 12 percent for the state. [993] Similarly, their individual loans which is essentially consumer credit, automobile loans and the like, is half of the level of the state and one to four family mortgages, home mortgages, four percent as opposed to nine percent in the state.

Q. How does—how do these figures compare with their principal competitors in Greeley, Doctor?

A. The Greeley National Bank—this is not on this particular exhibit, incidentally, Mr. Metzger. But, I did do some calculations of this. In 1969 Greeley National Bank had the same emphasis as the First National Bank of Greeley in agricultural lending. But, United Bank had only 29 percent instead of 37 percent in farm lending. So we are talking here about an agricultural area. The question of why they are so oriented could be partly due to the type of area there and we know that Weld County has a high demand for agricultural loans, or, it could be due to their particular orientation within the bank. We see that the United Bank of Greeley is not as heavily into agricultural loans. If we look, however, at individual lending, here, I think the picture is more striking, where, United and Greeley National were both at just about the national average—the state average. Excuse me. The state average was 28.3 percent of the loan portfolio. The Greeley National was 28.1 percent and United 28.5 percent. So they were right at the state average. The First National of Greeley was at half that average in terms of loans to [994] individuals. Again, in terms of mortgage lending United in fact wasn't making much in the way of one family mortgage loans. They were 3.2 percent. So they were much the same as the First of Greeley.

But Greeley National Bank was up to 13.6 percent for its loan portfolio.

MR. SCHOEPKE: Excuse me, Your Honor, for interrupting, but the witness was discussing Exhibit No. 8 and in the course of his answer he got into United Bank and I wonder what document he is referring to now.

MR. METZGER: He's not referring to a document—these tables here that were prepared.

MR. SCHOEPKE: Thank you.

Q. And, Doctor, I believe you said that the First National Bank of Greeley's relative imbalance could be corrected by what attributes of the First National Bancorporation?

A. Well, the First National Bancorporation could engage in heavier farm lending; could keep up the demands—with the demand for farm loans through an agricultural subsidiary or through other means and at the same time be able to serve the individual loan market and the one to four family mortgage market. It could do so not only with capital that it would provide but also with the specialists that it would provide. From what testimony we have heard about the difficulty in getting an installment lending officer, it is probably as much [995] the expertise and the particular knowledge of being able to do this as it is the capital, although the two are sometimes hard to separate.

Q. Doctor, you heard the testimony yesterday of Mr. Thomas, the regional administrator of National Banks, that the establishment of the Denver holding companies in various markets in the State of Colorado would be something of a competitive plus. Have you had any occasion to address yourself to that question?

A. Yes, when I first began to study this case and think about the issues that were involved, I suggested that in general it was my experience that in areas—in small towns, banking was less aggressive, less competitive than in large cities throughout the country. I wanted to determine whether this was true in Colorado in specific. And at your request I made a survey of various communities throughout the state of Colorado to determine whether or not the general proposition that I had thought was true was in fact actually true in Colorado communities.

[996] Q. And how did you go about making that inquiry, Doctor?

A. Well, members of my staff and I visited towns around the state. I have a map in my briefcase, Mr. Metzger, which will indicate the number of interviews. These were essentially interviews of businessmen, though I did talk to banks

in most of these cities. I just put them on this map so that Your Honor can locate the cities, try to have a pretty good geographic cross-section.

There were 16 interviews in Fort Collins, going from north to south, five in Loveland, 12 in Greeley, four in Longmont, seven in Boulder, five in Northglenn, nine in Montbello, 30 in Denver, 10 in Colorado Springs, seven in Pueblo, four in LaJunta, six in Gunnison, five in Delta, 11 in Grand Junction, five in Rifle, and seven in Glenwood Springs.

Q. For a total, Doctor?

A. Somewhere over a hundred, Mr. Metzger. I don't have the total figure in front of me. I think it is on the map. Yes—I don't know where that is.

MR. METZGER: I will add up the numbers and see that we have them, Your Honor. They are in the records.

A. (Continued) Now, you asked me to describe the methodology behind this study. First of all, we talked to manufacturing firms, firms engaged in distribution, farmers, [997] retail store operators, larger department stores, public utilities, automobile dealers, realtors. We tried to get a cross-section of the business firms in the communities that we visited of bank customers. We asked them where their banking is done essentially, who solicits their business, what they consider their alternatives to be, what type of services they need from a bank, and what type of services banks offer them when they do solicit, what is the pitch, in other words, how aware are they to the competitiveness of banking, how does it affect them, do they feel they can do a lot of switching, do they feel they can do a lot of shopping around, was there any evidence of anti-competitive practices in these various communities, and from these types of questions and from this broad cross-section around the state I think I was able to draw some rather specific conclusions.

Q. And what are they, Doctor?

A. By and large, in the smaller communities around the state, there wasn't very much evidence of active solicitation, of really chasing after the business aggressively.

* * * * *

[999] THE COURT: I suppose that there is a tendency in a smaller community for one bank to specialize in farm and livestock and others to take on industry and others like the fringe banks in Greeley to make consumer loans and so on, isn't that right?

THE WITNESS: There is, Your Honor. This is one of——

THE COURT: The historical situation.

THE WITNESS: This is very much upheld, but sometimes the specialization is even less rational than that, if I may. You find that certain types—if there are two druggists in town, you will find one dealing with one bank and another dealing with another bank and very little evidence of the one bank trying to attract the business of the other. It is almost as if, "They have their customers, we have ours." This was very broadly stated by many of the people we interviewed on the types of questions which I have [1000] described. If a customer is disgruntled with his bank, then he might switch, but I saw very little evidence of any initiative on the part of the bankers to induce such switching. Part of it would be due to specialization in types of accounts, but I really think it goes much deeper than that.

Q. Doctor, how about your analysis in the larger cities in the state?

A. Well, I think Denver specifically was quite different, no evidence at all from Denver interviews of any reluctance to call on other people's customers, and I know of the business development program of the First National Bank of Denver. I have seen lists of the customers they call upon regularly and frequently, and they are out trying to get business.

Denver is a more competitive banking environment in precisely that sense. You look at solicitations, you look at the resources of the institutions as being devoted to getting the other fellow's customer and going after new business that comes into the area, and I think that the situation in Denver is very, very different from elsewhere in the state.

Q. Well, then, Doctor, would it be your judgment that the prospects, the thin prospect, I might suggest, of parallel policies by Denver banks is outweighed by the distinct differences in the quality of competition you found [1001] existing between banks in the outlying areas and banks in Denver?

A. I think that the situation here is far more competitive than in the outlying areas and I could find no evidence in the work that I did of parallel policies in Denver.

Q. All right, Doctor. Turning to a new subject and addressing ourselves to the concept of Weld County as a boom area, I ask you to examine, if you would, Defendant's Exhibit Numbers 4, 5, 6 and 7.

THE COURT: Let me ask, before we get to that, did the entry of these other holding companies in the Greeley area —did that step up the tempo any or do they still have a more or less passive approach?

THE WITNESS: Well, I found, Your Honor, the entry of the ABC organization, it is really too early to draw any conclusions from this. It was just a year ago and most of these surveys were conducted several months ago, so I do not think there is any experience there, really. The United Bank in Greeley has not—things have not really changed significantly or noticeably from my inquiries, and I was interested in this question and explored it, and in conversations with senior officials at United I learned that it has been their policy to this time not to significantly change things in the banks that they acquire and let them operate [1002] very much independently. Indeed, that was the experience. This is what people said in Greeley, and I wanted to check this out and investigate it, and this indeed has been their policy.

THE COURT: So that it hasn't really kept up, stepped up the temp any?

THE WITNESS: Not noticeably in terms of the past acquisitions for Greeley, Your Honor.

Q. And that derives out of a specific corporate policy?

A. That's correct.

Q. And to your knowledge is that the policy of the First National Bancorporation?

A. To my knowledge, the policy that the First National Bancorporation has expressed is the opposite, that as Mr. Brown testified, Mr. Ted Brown testified yesterday, they would intend to compete as aggressively and actively in Greeley or in other cities as they would or they do in Denver today. Their policy would be to have a much more influence on the activities of their local banks in terms of their competitiveness. Insofar as this policy would be carried out, it would be my assumption that it will induce the other firms in the market to respond in kind and this would then bring to the community the competitive advantages which customers in Denver now enjoy.

[1003] Q. Addressing ourselves to the question of Weld County as a boom area, Doctor, I ask you to look at Defendant's Exhibits Numbers 4, 5, 6 and 7, which are population statistics, and ask you to——

THE COURT: Let me get to this one more time. It kind of fascinates me. You think there is some historical impediments to their competing hard, based on personalities and so on?

THE WITNESS: I think——

THE COURT: Interrelationships?

THE WITNESS: I think there is a bit of this, Your Honor.

THE COURT: Did you run into this kind of thing?

THE WITNESS: Yes, I did. I would say that it is not a question of active collusion, because this was not obvious. Oh, you occasionally hear a story about such an activity, but basically this was not a significant factor, but many people would say, and this is something that buttressed my judgment from other banking markets, that is it not really —I think I can use in quotation marks the word "ethical" for a banker to go out after the other fellow's business. Try to do a good job and you will get your share of the business. This is, I think, an underlying philosophy in many smaller communities.

THE COURT: And so then a new officer or new officer [1004] staff would hesitate to get too aggressive? They might not last long.

THE WITNESS: There might be such a tendency. Of course, many of these banks have been controlled through families and in the smaller towns there is not always that much infusion of new blood from outside the area, who had worked outside the area. There was one example in one town of a banker that had worked in California and when entering this particular community I think he did compete more aggressively than the general rule and very differently and had a regular trial program such as had been done in California.

Now, in this particular instance, it was unusual circumstances that brought him back to Colorado where he had been raised and ordinarily it might not be possible for a small bank in such a town to attract that type of talent. At least, this was my general experience.

Q. Was he able to raise the market share of that bank?

A. Well, he has just been in very recently and they seem to be competing effectively, yes, very effectively.

Q. So a new management staff can compete aggressively in your judgment and succeed without ruffling too many feathers, citizen feathers, that is?

A. I think so, yes.

Q. Turning to the question of population growth, [1005] Doctor, Tables 4, 5, 6 and 7, could you tell us whether in your judgment Weld County is growing at an unusually rapid pace?

A. Well, first of all, Table 4 shows the rate of growth of Colorado compared to the nation as a whole. Colorado as a state has been growing more rapidly than the nation as a whole. Table 5 breaks down the growth in Colorado by county, separates out those counties on the Rocky Mountain front from Denver, and in turn from the remainder of the state, and if you turn to the second page of that exhibit, there are some percentage rates of growth.

The Rocky Mountian front counties—I should suggest what they are, Boulder, Larimer, Pueblo and Weld and El Paso, where the county seats are in turn Boulder, Colorado Springs, Fort Collins, Pueblo and Greeley—and three Denver suburban counties have really had the lion's share of the growth in the state. The remainder of the state, excluding Denver, in the period 1940 to 1970, actually lost population and gained only two percent if we look at the last ten years. The Rocky Mountain front counties as a whole grew over the 30-year period 260 percent, whereas the state grew only 96 percent. During that period of time, also, Denver grew 60 percent. If we look specifically at Weld County, it had a rate of growth of only 40 percent, lower than Denver, and only one-sixth as great as all of Rocky Mountain [1006] front counties, which included Weld, and in fact only about 40 percent of the state's growth rate during that period.

Now, one might argue that a 30-year trend is important, but must also be viewed in light of the more recent experience, what's happened in the last ten years, if things that would change this specific trend, and indeed the growth rate in the state has slowed down somewhat. The growth rate in the Rocky Mountain front is now twice the state's growth rate. The Weld County growth is less than half of that of the Rocky Mountain front, so it is not quite as strikingly different as it was over the 30-year trend, but even if we look at the last ten, it has grown at a rate slightly slower than the state and half the rate of growth in this area we have been talking about known as the Rocky Mountain front.

Denver and the remainder of the state, of course, have grown quite slowly.

I think that puts Weld County in the context of the growth rate that one might observe.

* * * * *

[1009] THE COURT: But I don't suppose that any new bank would have a chance at becoming a big competitor anyhow, because the patterns are pretty well set up there.

MR. METZGER: The experience in Aurora I think we just mentioned, Your Honor.

THE WITNESS: Yes, I agree.

THE COURT: In other words, it is doomed to a little bank regardless, you know. It's just one of those things. And, I suppose that would be true wherever it went.

THE WITNESS: Well, it takes a substantial amount of time——

THE COURT: Because you said even the United affiliate up there hasn't made too much of a splash.

THE WITNESS: That is right.

THE COURT: So the days when a little bank can open up and become a big bank in a period of time just are past, that's all.

THE WITNESS: I think that depends, Your Honor, on the area we are talking about. Given the absolute growth of the area, I don't think there is any——

THE COURT: Well, this is a fairly stable community we're talking about here.

THE WITNESS: Precisely.

THE COURT: It's not going to have an economy that——

THE WITNESS: Precisely. There are counties in [1010] Florida and in Southern California where a new bank can really become a large one very quickly. It depends on the economy.

THE COURT: Well, I suppose if you have a real boom in a brand new place, then—— But in a community like this, why, as I say, a new bank is going to be limited and restricted throughout its existence.

THE WITNESS: Precisely.

THE COURT: It's not going to go too far anyway.

THE WITNESS: Precisely. And I am concerned from an economic point of view whether a new bank could compete effectively, that is, whether existing banks could prevent the entry of a new bank, and I think I have commented on

that. And I am also concerned with whether a new bank can effectively serve the community, to—whether it could get big enough to effectively serve the community, and this is one of the things that I would like to address myself to when we get to the issue of potential entrants. Precisely this point. How fast can a new bank get to the point where it could do something.

* * * * *

[1012] Q. Doctor, during the intermission, did you have an opportunity to total the number of interviews you made in your survey?

A. 143 interviews in 16 cities.

Q. To return to your analysis of Defendants' Exhibit Number 6, Doctor, population of population centers in Colorado by size category, 1940-1970——

A. Yes, of the 13 cities, 25,000 or larger, in population growth from 1940 to 1970, Greeley ranked Number 11, ahead only of Pueblo and Denver. In absolute growth—that was in percentage growth, but in absolute growth, Greeley was actually the lowest ranking, Number 13. For the years 1960 to '70, the last decade, it was 11th in absolute growth and 10th in relative growth.

Q. Turning, Doctor, to Defendants' Exhibit Number 7, how is this relevant to the question of the growth of Greeley?

A. Number 7, Exhibit 7, shows the growth of student body and faculty at Northern Colorado University and indicates that the university now has some 10,547 registered students, so there has been a growth since about 1940 of [1013] about 9,000 students, of the total population growth of 23,000. Since these students are counted in the population for the area, one could look into the fact that they are constantly turning over and, although there will always be a student body as long as the enrollment keeps up or increases, one could argue, as I think was pointed out earlier, that their banking needs would not be quite the same as other segments of the population.

[1014] Q. Doctor, given two communities with 30,000 people, one of them with 10,000 students in attendance, and one without that student body, what would you expect of the banking characteristics of that market?

A. I would expect that the——

Q. Those markets.

A. ——that the market with the student population would

have other things equal, less of a need for banking facility. And, other things equal, a lower deposit base.

Q. Given the character of this growth, Doctor, how would you evaluate the likelihood of new entry into this market?

A. Well, from the growth alone, from the factors of growth alone, which I would characterize as moderate—modest growth, a reasonable healthy economy, I would look toward the banking structure in the area to arrive at a determination of whether new entry was an attractive possibility.

Q. What is the best proxy for analyzing that character of the banking market?

A. Well, a very good proxy is the population per bank, a very good proxy for the structure of banking in the area.

Q. Turning your attention to Defendants' Exhibit Nos. 40 and 41, how do these bear upon that evaluation?

A. 40 showed population per banking office in all Colorado counties with 50,000 or more people. Weld County was [1015] at the bottom of the list. It had less than two-thirds of the population per banking office than did Larimer County which was next to the last on the list. If one examines the City of Greeley on the next table, 41, it was next to last. Its population per banking office of 6,484 was lower than all cities of 15,000 or more with the exception of Loveland.

Q. Doctor, how attractive would you conclude that the prospect of a de novo bank in Weld County would be?

A. I would conclude that Weld County would be the least likely or almost the least likely place for a de novo bank in the State of Colorado.

Q. But what of the documents that the plaintiff has placed in evidence here about the growth of water meters, telephones, et cetera?

A. Well, I think these economic factors are interesting but very highly correlated with population. And if one were to do a statistical study, population would explain pretty much the growth of the area. Because, it is so highly correlated with these other factors that some will go up a little faster than others. But I think the basic notions of population—we have a moderately growing area together with the number of banking institutions already in the market would lead me to believe that by most benchmarks and most standards new entry is not very likely or attractive.

Q. What factors would you take into consideration, [1016] Doctor, if you were evaluating the prospect of a new charter being granted by the bank regulatory agencies?

A. Well, I would certainly take into account the factors that I have already considered, namely, the economy—the nature of the economy, the banking structure. In this case population per bank measures and per banking office, and of course I would take into account the philosophy of the bank chartering authorities as best we could determine that. I listened to Mr. Thomas's testimony yesterday and from what he said I feel that the information given these statistics, that the national banking authorities would not be at the present time favorable toward a new charter. And then, one would try to inquire into the state which is the other alternative, the State Banking authorities inclination in that area.

Now, since 1960 the national bank—national banks—48 national banks were chartered as compared to 16 state banks. This may imply somewhat a more liberal approach from national bank authorities than from the state bank authorities.

We also have some specific evidence in terms of what the state banking authorities have done elsewhere that might shed some light on what their inclination might be here in Greeley.

[1017] MR. SCHOEPKE: I would object to that answer. I really don't think that what the banking agency might have done in one town is particularly relevant to what they might do in another town.

Q. Doctor, do you think that what the bank regulatory agency will do in one town could be particularly relevant to what it has done in another town?

A. Yes, I do.

Q. And why is that?

A. The regulatory authorities look at certain criteria in trying to arrive at a decision and recommendation. Many of these criteria that are part of every application for a charter are specific to local economy, concern population and growth rates and general economic activity, and they concern the banking structure, the number of banks in the community, whether they have been successful, so on. Certainly, there might be specific factors to any individual application, such as is the management qualified or are

there any peculiarities, but nonetheless I would say that one could arrive at a pretty good judgment based on what they have done in the past as to what they might likely do in any given situation.

Q. Do you have any——

THE COURT: Hold up. What I am curious about is, you said you would analyze the philosophy of the authorities [1018] involved. You don't mean to say that these charters are granted upon or denied upon the basis of whether their basic philosophy is that of unit banking or branch banking or something of this sort? Is that what you are talking about?

THE WITNESS: No, Your Honor, I wouldn't say that it would be. Perhaps philosophy was not as accurate a word as what their attitude is, given certain economic facts and certain statistical information about banking in the area that they have in front of them when evaluating this type of application, and so when I look to past decisions I look to how they reacted in a certain circumstance and I term this an attitude or a propensity as to how they might react, how they might reasonably be expected to act in a situation at hand.

Q. Do you have any close proximation to the Greeley situation in mind, Doctor?

A. Well, there were two applications in Boulder for a new charter. One was in February, 1970, and then just in January of 1971, another. Both were turned down. I believe that the decisions are in Defendants' Exhibits 42 and 43.

Now, to compare Boulder County or the City of Boulder with Weld County or the City of Greeley, one finds that Boulder is a much more rapidly growing area. For example, in 1940, Boulder was actually smaller than Greeley as cities. The counties have grown in the last 30 years. [1019] Boulder County went from 37,000 people to 131,000, Weld County from 63,000 to 89,000. In the last ten years, Boulder County went from 74,000 to 131. Weld County from 72,000 to 89,000. So, although Greeley has grown, Boulder is much more of a growth area.

In terms of population per bank in Weld County, it is 5,953 people. In Boulder County, it is 10,991, so we are really again comparing a situation where relative to Weld

County one would say that Boulder County would be rather attractive.

Q. And the number of banking offices in each community, Doctor?

A. Is identical, and, therefore, one would conclude that the turndowns in Boulder might likely, given these economic facts, lead to turndowns in Greeley.

Q. Turning your attention, Doctor, to the question of direct competition, I believe it was testified during the plaintiff's case that while the banks were not in direct and substantial actual competition, one with the other, and that the First National Bank of Greeley had no substantial competition in Denver, but, nevertheless, the First National Bank of Denver had some loan overlap in Weld County which would justify a conclusion that the First National Bank of Denver was, quote, on the edge of the Weld County market.

Doctor, have you evaluated the loan and deposit [1020] overlap figure for these two banks?

A. Yes.

Q. What is your judgment with regard to specifically the lending overlap of the First National Bank of Denver into Weld County? Do you believe that this demonstrates that the two banks are in substantial competition directly, one with the other?

A. No, I do not. The loans that the First National Bank of Denver makes in Weld County, some $7 million worth, are almost exclusively loans either to customers which are too big to be handled by the Greeley banks and so they are in a much broader market, these customers are in a much broader market, or they represent—and/or they represent assistance by the First National Bank of Denver to the Greeley banks in terms of their overlines or participations with the Greeley banks beyond—for loans which are beyond the lending capacity of those Greeley banks.

Q. And do you, therefore, conclude, Doctor, that these loans indicate competition between the banks in Greeley and the First National Bank of Denver?

A. Quite the opposite. I would say they indicate assistance by the First National Bank of Denver to the Greeley banks to handle these larger customers.

Q. And your conclusion with regard to direct competition generally?

[1021] A. My conclusion is that there isn't any direct competition between the two banks. The First National of Greeley has no business in Denver to talk about. There is no significant First National Bank of Denver business in Greeley, so there is no real deposit overlap, and the loan figures—I think I explained their significance to me.

Q. Doctor, turning to the question of section of the country, the appropriate section of the country within which to evaluate the competitive effects of this acquisition, taking an actual competition case——

THE COURT: Before we leave that, I would like to ask something on that last subject, and that is whether these referrals to the First National Bank were all from the First National Bank of Greeley? You indicated they were not. Do you know?

THE WITNESS: No, I know that they have substantial overlines for Greeley National Bank also.

THE COURT: Oh?

THE WITNESS: I don't know whether there is any significant referrals from the United Bank in Denver. I don't think there is very much in that direction, but from Greeley National as well as from the First National Bank of Greeley I actually do not know which would be more, but I would say they would both be relatively equal.

[1022] THE COURT: But in any event you wouldn't say that—after analysis that this is—this business——

I think the testimony is that the First National of Denver has about $50 million of loans in Greeley or Weld County? Is that what you found out?

THE WITNESS: I thought the figure was $7 million.

MR. METZGER: In Weld County.

THE COURT: Weld County?

MR. METZGER: Yes, sir. Six million five hundred thousand of which is represented by thirteen loans, averaging $500,000 apiece. These are answers to interrogatories.

THE COURT: That's all there is?

THE WITNESS: That's correct.

THE COURT: And none of these are the result of any competition according to your analysis?

THE WITNESS: According to my analysis these are large loans that represent overlines, originated by the Greeley banks.

THE COURT: They are all in a sense referrals, is that

right? They were initiated at either the Greeley National or the First National of Greeley?

THE WITNESS: I believe from those two banks. I'm not certain whether any of the other banks had initiated——

Q. (By Mr. Metzger) Are there any direct loans involved in these figures, Doctor?

[1023] A. I believe one or two of them represent large customers who deal with the First National Bank in Denver to which there are direct loans as opposed to overlines.

Q. I don't think there is any secret about one of those, Doctor. Is there one national credit in Greeley?

A. Well, Monfort, I'm sure one of those loans is a Monfort item.

Q. And can the First National Bank of Denver handle that credit?

A. No. It's something that is participated in Chicago and elsewhere. It's much larger than the First National Bank of Denver lending limits, and it's really a national loan. It could be originated in New York or Chicago or San Francisco as easily as anywhere else.

Q. Turning, Doctor, to the question of the section of the country, could you tell us what is the appropriate section of the country for measuring the effect of a proposed affiliation where the parties are in actual competition?

A. Well, in actual competition it would be the area of competitive overlap.

Q. And in the case of potential competition?

A. We are here concerned with the market area or the trade area of the First National Bank of Greeley, because the issue in the potential competition case is what is the likelihood that the First National Bank of Denver or the First National [1024] Bancorporation would compete directly with the First National Bank of Greeley in its area rather than the First National Bank of Greeley competing in the Denver area. So in this case we would want to determine as a relevant section of the country what the market area of the First National of Greeley is.

Q. And how do you determine what the market area of the First National of Greeley might be?

A. Well, I am interested in such questions as where they compete effectively; where they are a substantial and important factor in the market.

THE COURT: Which? The First National of Greeley?

THE WITNESS: The First of Greeley, yes, because in determining their market area one wants to look at their deposits and loan distribution, where their loans and deposits are drawn from. But, we also want to look at where they are an important factor in the market. And where other banks consider them to be very effective competitors.

Q. What proportion of the deposits and loans of Weld County are controlled by the Greeley banks, Doctor?

A. It's better than 80 percent. I have a table somewhere but it is better than 80 percent.

Q. How would you determine where the First National of Greeley is an effective competitor?

A. Well, Greeley is really the focus for all of Weld County. It's the commercial center, the retail center for [1025] Weld County. One would look and see what proportion of the business outside of Greeley and the so-called Greeley area is being performed by the Greeley banks.

One would also then look at where the Greeley banks draw their business from and I have conducted both of these analyses.

Q. Turning to Defendant's Exhibit No. 44, Doctor, is this an analysis of the deposit and loan scatter of the First National Bank of Greeley drawn from answers to interrogatories?

A. Yes.

Q. What does it show with relation to the First National Bank of Greeley's penetration into Weld County markets?

A. It shows that in deposits they draw approximately 70 percent from inside the city, somewhat under, and an additional ten percent from outside the city, but, in the so-called Greeley area. And another ten percent plus depending on the category from elsewhere in Weld County. Their total deposit business in Weld County is just under 90 percent, depending on the category.

In the lending area, the figures are somewhat lower for the City of Greeley. Total loans there at 57 percent, in the city of Greeley, and another 16 percent outside the city but in the Greeley area. And another 11 percent outside the Greeley area but in Weld County. And, leaving a total lending [1026] activity in Weld County of 83.4 percent.

Q. Assuming, Doctor, that the Weld County proportion of deposits of the First National Bank of Greeley were to be carried out by its competitors in Greeley, what impact

would those banks have upon lending activities in the rest of the Weld County area?

A. They would—the analysis that we have done indicates that Greeley banks have approximately 40 to 50 percent of the lending business outside of the Greeley area but in the rest of Weld County.

Q. Would you say that this was an area then in which there were effective competitors if these statistics held up?

A. Yes, I would. And that incidentally was supported by my interpretation of the testimony of several bankers in Weld County who said that the Greeley banks did compete effectively in their communities.

Q. What of the testimony of Mr. Dean from United Banks of Greeley yesterday, Doctor, where he testified that most of his business came from the City of Greeley. And, you would assume from that the City of Greeley was his market?

A. Yes. Mr. Dean also testified that he believed from the time that the United Banks made application to acquire the Weld County Bank that there had been little change in the structure or the origin of his deposits and loans. From the application of the acquisition of Weld County Bank the following [1027] figures suggest that the United Bank actually had more of its business in parts of Weld County other than the Greeley area than does the First National Bank of Greeley.

For example, the bank had 75 percent of its deposit business in the Greeley area and 18 percent in the county outside of the Greely area. 93 percent total Weld County. For loans the figures were 57 percent for the City of Greeley, identical to the First National's. Twelve percent outside the city but in the Greeley area, and 22 percent elsewhere in Weld County. That 22 percent was twice the figure for the First National Bank of Greeley elsewhere in the county. Total loans in the county represented 91 percent of their lending activity.

* * * * *

[1028] Q. (By Mr. Metzger) Do these numbers, Doctor, tend to confirm or reject the thesis advanced of the deposit scatter of the First National Bank of Greeley?

[1029] A. Well, they tend to confirm it. If anything, they tend to make even more important the remainder of Weld County.

THE COURT: You're saying that Weld County is the relevant market area then?

THE WITNESS: Yes, Your Honor.

THE COURT: Even though Greeley and this group of towns that the government relies on is the—this cluster is the heart of the——

THE WITNESS: Well, the proportion of deposit business in Greeley for example is comparable to the proportion of business that the Phillipsburg National Bank and the Second National Bank had in the City of Phillipsburg and its environs and yet the Supreme Court held that the City of Easton and its environs was also part of the relevant geographic market in which to judge the effects of that merger, whereas, Easton added approximately 10 percent to the portion of the deposits drawn from that area.

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[1030] THE COURT: Well, there is no bank in the county that is capable of competing with the First National of Greeley, is there? I mean, other than the Greeley National and the United Bank?

[1031] THE WITNESS: Well, there are 15 banks in Weld County.

MR. METZGER: Yes.

THE COURT: Yes.

THE WITNESS: Some of them are quite small.

THE COURT: That's whatI mean.

THE WITNESS: For certain types of business, they compete quite well with the First National of Greeley. It is by comparison, looking at the resources of the First Nation Bank of Greeley for larger agricultural loans where some specialization is important, obviously, the small banks might not be able to be as effective, but for demand deposits and for consumer loans I am sure they are very effective. They have maintained themselves and are financially viable and I think that they are relevant as part of this market.

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[1032] Q. Doctor, turning your attention to the question of the line of commerce within which to measure the competitive effects of this proposed acquisition, can you tell us what a line of commerce is, Doctor?

A. A line of commerce or a product market is a series or group of products for which the firms compete. It is

the area of competition in terms of the services that are being sold.

Q. The heart of the concept that commercial banking is a line of commerce is that the demand deposit being unique substantially immunizes the remaining products sold by commercial banks from competition by other offerers. Would [1033] you care to comment upon that proposition, Doctor?

MR. SCHOEPKE: Your Honor, may I have a standing objection to the line of questioning which I gather is going to follow? As Mr. Metzger himself has pointed out in his brief, the Supreme Court has three times held that commercial banking is the appropriate line of commerce within which to consider and measure and analyze the competitive effects of mergers and consolidations and acquisitions between commercial banks. We thing this is now a rather established thing, but I gather from Mr. Metzger's brief that, despite the fact he admits the Supreme Court has held commercial banking is the appropriate line of commerce, he wishes to go through it all over again.

I would like a standing objection to the testimony which I assume is coming now that there are savings and loan associations and insurance companies and finance companies and all of these other organizations that deal in money that are also a part of the line of commerce. I think this is established as a matter of law that commercial banking is a unique animal and that is what is to be used in measuring mergers and consolidations of commercial banks, and, therefore, it is unnecessary for us to go through it all over again in this case, and so I would like a standing objection to this line of testimony, if I may.

THE COURT: We will extend to you a sitting [1034] objection.

MR. SCHOEPKE: Thank you, Your Honor.

THE COURT: But I think it is true that the Supreme Court has held that this is an appropriate line of commerce.

MR. METZGER: On the factual records before it, Your Honor, and five District Court with the factual records before them found that the factual records before the Supreme Court were wholly inadequate. I don't propose to——

THE COURT: Of course, I am——

MR. METZGER: —to treat this extensively, Your Honor.

THE COURT: Of course, I gravitate towards the District Courts, as you know, but in the final analysis I think I have to follow the Supreme Court.

MR. METZGER: I understand. and I have the same problem, Your Honor, but I just want to make a very short factual record on this point.

THE COURT: All right.

Q. Doctor?

A. Well, I believe that the line of commerce should be evaluated with respect to the specific services that are offered. If we are looking at demand deposits, then I would believe and agree that commercial banking is a relevant line of commerce. I do not feel that the commercial—that demand deposits give commercial banks such an [1035] advantage in the sale of other products that this should be broadened. If we are interested in the market for real estate loans or whatever, the line of commerce should be extended significantly. Nonetheless, Your Honor, in light of the Supreme Court decisions I have made all the analysis in terms of the conclusions that I draw on the competitive effect of this acquisition on the basis of an assumed line of commerce as commercial banking.

Just as the particular choice of the section of the country, be it Weld County, which I think is accurate, or be it Greeley or Greeley area, does not affect the ultimate competitive decisions I draw.

Similarly, whether the line of commerce is defined as commercial banking or is something broader, my conclusions are based on the narrower line of commerce. To very briefly discuss this issue, I would really like to mention just several tables, several defendants' exhibits, and what they indicate.

THE COURT: Well, if commercial banking is not a line of commerce, why, what would be the line of commerce in this area?

THE WITNESS: Well——

THE COURT: Or are banks immune from prosecution under this Section 7?

THE WITNESS: Oh, no, absolutely not.

[1036] THE COURT: Well, what is the appropriate line of commerce in the banking situation?

THE WITNESS: I believe that the appropriate line of commerce should be extended to include savings and loan associations, for example, in the market for savings de-

posits and in the market for real estate mortgages. I believe that the finance companies have to be considered in the markets for individual lending. I believe that when it comes to farm lending, one has to look at the activities of the Federal Farm Credit agencies, which extend these loans and do compete quite effectively with commercial banks in these areas.

THE COURT: You say all lending agencies, big, small, medium?

THE WITNESS: I would look at the competition—in talking about market shares——

THE COURT: Investment bankers, too?

THE WITNESS: Well, from many activities I would not include investment bankers, but if one were—if one were looking at certain types of services offered, then investment bankers might be competitive, but I would not see that being very direct.

Q. Doctor, would it be fair to say you are unbundling the congeries of services discussed?

A. Yes, I am.

[1037] Q. And you would find separate lines of commerce for each?

A. Yes, I would.

Q. And what if you found a violation of a substantially anti-competitive effect in demand deposits? Need you look further?

A. If that were found in demand deposits for the demand deposit function, then I would not look further, because no other institutions compete in demand deposits, and the acquisition or merger would be—if it were substantially anti-competitive in demand deposits, then I would judge that merger to be illegal or anti-competitive.

Q. Let us suppose we were contending for anti-competitive effect in mortgage lending. Would you feel impelled to limit your inquiry to banks as mortgage lenders?

A. I would feel compelled to extend my analysis to see what insurance companies were doing in the market, what savings and loan associations were doing in the market and so on, beccause if commercial banks hold 20 or 30 or 40 percent of a given market, then for that particular line of product, real estate loans, it would not be possible to assess a competitive effect without looking and seeing what the other firms were doing in that market.

In some areas in which commercial banks compete, they

are by no means the largest offerers, but in any of these [1038] products a substantially anti-competitive violation judged in terms of that product market would be sufficient.

THE COURT: Yes, but the net result of this thinking would be to greatly liberalize the realm and scope of activity where in relationship to this law it would be virtually impossible to prosecute anybody. Maybe it is now.

MR. METZGER: Not necessarily, Your Honor. You could make an inquiry into demand deposits. Counsel could say, "Look, demand deposits is an important function of the commercial bank. The populace of this area would be adversely affected if 25 percent and 20 percent got together and controlled 45 percent of the demand deposits." And, according to the numbers game the Supreme Court has been playing so far, we would probably be out of court without more.

Our objection on line of commerce has always been a suggestion that there is something unique about demand deposits which makes the savings deposit function of a commercial bank immunized from competition of other offerers of those services, and you may look at the effect in savings deposits as if there were no other offerers of that service.

If the government were to seek out and find a particular line of the 20 or 30 lines involved that was substantial and found an adverse effect, they need not even look at any of the others. Our complaint is bundling them together where there is no factual justification for the [1039] bundling, and if we may proceed on this question as to the savings and loans and credit unions and mutual savings banks as to which the Court specifically addressed itself I think we can show that the evidence in the very market to which they were concerned shows that there is a very, very close relationship between changes in rates in savings and loans and changes in rates in commercial banks and there are enormous shifts in deposits between the two organizations based upon very minor changes in their rates, which is by the Supreme Court's criteria in Cellophane the basis for determining what products are in the same market and, by the very criteria established by Mr. Justice Brennan in PNB, these are the factors he considers in arriving at the conclusion that savings and loans were immunized from the competition of commercial banks.

We will show that factually this is not so but the theory applied would break down the so-called congeries of services for commercial banks.

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[1040] Defendants' Exhibit 55 shows commercial banks relative to other pass book savings institutions, namely, mutual savings banks, savings and loan associations and credit unions, what decline they experienced in their market share. It dropped off from 46 percent in 1940 to 35 percent in 1969 of the total of all these institutions. I should add——

Q. Doctor?

A. Yes.

Q. Would you take another look at the last line and the third from the last line?

A. I am sorry, I was talking about the 100 largest. Commercial banks as a percent dropped off from 81 percent in [1041] 1940 to 67 percent in 1969.

I should point out that comparing 1965 and 1969, that trend was slightly reversed due to the fact that in the last few years commercial banks became much more competitive and were allowed to go out after time money with higher interest rates, and in so doing did in fact increase their market share, implying that consumers are sensitive to these price differentials in deciding which institution to use, which is a measure of substitutability criterion in Cellophane, which Mr. Metzger alluded to a minute ago.

Now, Exhibit 56 simply shows that commercial banks have just over 40 percent of the market in consumer instalment credit outstanding, competing here with finance companies and credit unions and retail outlets and other lenders.

Exhibit 57 shows the growth of credit unions in the United States from 1960 to 1969, which has been quite substantial, much higher relative importance.

Defendants' Exhibit 58 shows that when one looks at the assets of financial and nonfinancial institutions, the share held by commercial banks has declined from 14.8 percent in 1950 to 11.4 percent in—to 11.6 percent in 1968.

Looking at Exhibit 59, farm lending shows of the many suppliers of farm lending in the United States, commercial banks have under a quarter of that market, merchants,

dealers, finance companies, various federal credit programs, which I [1042] mentioned.

Now, turning to Exhibit 60, which looks at new savings withdrawals and net inflow into Federal Savings and Loan Insurance Corporation, insured savings and loan associations, in the Philadelphia metropolitan area, 1963 to 1968, this being a market which of course was relevant in PNB and then again in Providence, the statistics show that the net inflow was rather steady into savings and loans except for the year 1966 where the actual inflow was less than 10 percent of what it was in surrounding years, and this was due to the fact that in the early part of that year the commercial banks were allowed by a change in Federal Reserve regulations to offer rates which were effectively higher than the rates offered by savings and loan associations, and you notice that very sharp shift. Then toward the end of the year the Federal Home Loan Bank boards authorized the savings and loan associations to raise their rates and also the Fed made it more difficult by first cutting to $100,000 minimum, only over $100,000 time deposits could bear the higher rate of interest, so effectively commercial bank rates were lowered and the flow was immediately reversed.

Q. Doctor, what was the spread here? What are we talking about? A point?

A. We are talking about a quarter of a point, in fact, five and a half versus five and a quarter.

[1043] Q. So a quarter of a point difference created a substantial diminution of the net inflow to savings and loans?

A. Yes, sir.

Q. And a reversal of that quarter of a point difference occasioned what?

A. Indicated that the flow went back in the other direction, so consumers were very sensitive in this very metropolitan area, which was under consideration by the courts in terms of the savings account function.

The savings and loan competition should not be ignored in evaluating any competitive effects for that particular function.

Q. Does Table 61 support the same conclusion, Doctor?

A. Yes, for mutual savings banks it shows in the same year a very substantial drop in deposits, a drop in deposits of $83 million in 1966, whereas in every other year deposit

growth was very substantial. In 1965, their deposits grew over a hundred million. In 1967 they grew by 70 million. In 1966, however, they dropped to this degree through the competitive ability of the commercial banks through a boost in their rates to attract the time money.

Q. Turning to Defendants' Exhibit Number 66, Doctor, which concludes this inquiry.

A. Mortgage loans in Weld County, all commercial banks [1044] sold only 31.7 percent of the mortgage loans in Weld County, the rest being held by savings and loans, insurance companies and so on, listed, so non-banks are twice as big as banks in mortgage lending in Weld County.

Q. What conclusions do you draw with respect to the appropriate line of commerce within which to inquire as to the competitive effects of this proposed affiliation, Doctor?

A. I draw the conclusion that there are many appropriate lines of commerce, depending upon the particular service that we are looking at, and that the demand deposit function itself does not make commercial banks immune to competition for other products which they offer, and nonetheless, as I have already stated, I have done my analysis of this case based on the assumption of a commercial banking line of commerce. I have drawn all my conclusions about competition from that assumption.

[1045] Q. Thank you, Doctor. I'd like to turn the subject now to correspondent banking.

Will you tell us, Doctor, what is correspondent banking?

A. Correspondent banking is a—really a set of transactions between banks. It's a dealing of one bank with another bank. It is a service as provided by some banks and received by other banks. It's the methods whereby some commercial banks offer services to other commercial banks.

Q. Is this method of service distribution one which serves the interest of competition?

A. Well, my judgment is that correspondent banking is necessitated by the inability of larger banks located in large metropolitan areas to get into outlying communities either through branches or acquisitions and the need for the services that only these larger institutions can perform to be provided in these outlying communities such as the larger loans that they—that we were talking about, the overlines. The need for various money market type transactions that have a direct relationship with the Federal Reserve Bank.

And, because of this correspondent banking relationships have sprung up so that the larger banks can operate, can help the smaller banks in outlying cities perform some of the functions which the smaller banks cannot perform for themselves.

[1046] Now, you asked me whether this is a competitive device or structure. And basically I would say that the correspondent banking system is anticompetitive in that when one bank has these correspondent relationships with other banks it becomes difficult and is not a common practice for the big city banks to compete effectively with their correspondents.

After all, they are customers, and direct competition with your customers insofar as it might be feasible which it would not be for the broad variety of the services, but still where it might be feasible, would not be something that would likely take place and is something that does not likely take place.

Q. Would the development of substantial branch or holding company subsidiary systems have an affirmative impact of competitive vigor?

A. Yes, I think that the—insofar as correspondent banking goes, we would be replacing a correspondent relationship with an owner relationship where there would be objective and aggressive means for the larger city institutions to compete effectively in communities around the state in which they were located—the state in which they were branching.

Q. Are there economies of scale which these banking organizations could obtain in operating these—operating in these communities?

A. Yes, I think there are.

[1047] Q. Could you support that conclusion?

A. Well, larger banking organizations—it can be demonstrated from various studies that have been done—do enjoy lower unit costs of operation. If one looks at economy of scale as being the unit cost of producing a given output, the larger banking organizations with branch banking facilities or holding companies could take advantage of these lower unit operating costs and would pass on these advantages—competition would induce them, indeed, force them to pass on these advantages and these cost savings that they achieve to the customers in outlying areas.

Q. You refer to some studies, Doctor.

A. Yes. There have been several studies, for example, on the effectiveness of unit versus branch banking systems in terms of performance.

MR. SCHOEPKE: Your Honor, I have to object again. This case is not about unit versus branch banking or holding company banking or anything. We're concerned with banking in Colorado.

MR. METZGER: Counsel has raised the question of the correspondent banking system, Your Honor. We are just trying to show that the kind of banking that we want in Colorado has the support of the economic community. We simply want to cite the two sources to that effect. I believe the scope of the plaintiff's case provides ample room for us to point out that [1048] we have something better to sell than what they want to inject into our competitive mixture in Colorado.

MR. SCHOEPKE: If Your Honor please, the banking system which a state wants to have, whether it be branch banking, unit banking, is a matter for the state legislature. We are concerned with the competitive implications of the particular method by which acquisitions under whatever system you have take place. That's the essence of our case, and this entire line of questioning about unit banking versus branch banking is simply so remote from this case that I don't believe counsel should be permitted to go into it.

MR. METZGER: Your Honor, if I thought Mr. Schoepke was serious I would be very happy to quit right there on this point. But he does allege vertical foreclosure which is a statewide impact which deals directly with the question of what kind of banking you're going to have in this state.

Counsel consistently through this trial has suggested we ought to consider the question of vertical foreclosure. But that we the defendants ought not be permitted to show that if you permit this vertical foreclosure argument, you're going to establish an anticompetitive method of banking. I think if he's going to argue the one, we have to argue the adverse.

THE COURT: Very well. Proceed.

We will note Mr. Schoepke's vigorous objection and we will finally determine that he is very serious in making [1049] the objection, too.

MR. SCHOEPKE: May I just add a very serious footnote,

Your Honor, that you're going to have foreclosure whether you buy a bank and make it a branch or whether you buy a bank and make it a subsidiary of a holding company.

MR. METZGER: And both are evil?

MR. SCHOEPKE: Depending upon the extent of the vertical foreclosure.

THE COURT: He says he's in favor of vertical foreclosure that takes this form of a new start in Greeley, isn't that right?

MR. METZGER: Yes.

MR. SCHOEPKE: I don't believe I heard Your Honor.

THE COURT: If they will just organize a new bank, why, you would not object to their going in there?

MR. SCHOEPKE: Oh, no, that's not vertical foreclosure. That's what has the blessing of the Supreme Court. That's de novo expansion. That's internal growth rather than a big fat cat that is already in there. That's our objection.

MR. METZGER: And both constitute vertical foreclosure.

Q. (By Mr. Metzger) Doctor, could you give us the name of the studies?

A. Well, let me say that there has been a good deal of work done on trying to appraise the performance of different [1050] banking structures and by performance we mean the interest rates on loans, the interest rates on time deposits. Higher rates on time deposits, lower rates on loans is better performance. The level of service charges; the quality of service; the loan-deposit ratio; higher loan-deposit ratio generally means you're offering a better service to the community.

Now, most economists I would say, including one of plaintiff's experts, Dr. Hall, have stated that there are competitive advantages to more liberal branching and holding company movements. These competitive advantages incorporating the economies of scale. I comment just on two studies, just two statistical studies, and several more could be discussed, and I won't discuss them in detail.

One was done for the Federal Reserve Bank of Richmond in which Charlotte, North Carolina, Richmond, Virginia, and Charleston, West Virginia, were analyzed. This was done in 1963 and as of 1962 these states were respectively statewide limited branching and unit banking states.

Virginia law changed, I believe, in 1962. And, looked at these metropolitan areas, found that the population per office was almost four times as high in Charleston, the unit banking state, as it was in Charlotte, and Richmond was in between. The loan-deposit ratio, again, the rank was Charlotte, Richmond and Charleston in descending order.

And based on these characteristics, these types of [1051] statistics, it was concluded that there was a difference in the competitive environment.

[1052] Another study I would just like to mention, done by Horvitz and Shull in the National Banking Review indicated again that when in towns over 7,500, when branch banks merged—when larger banks through branching systems merged with smaller banks, that the interest rates were generally lower after the merger; that services expanded somewhat and that higher loan asset ratios generally resulted. From all this I merely draw the conclusion without regards to the specific example necessarily that a policy that would have us through not allowing a holding company organization to develop, would have as its effect essentially freezing unit banking and there are many states that are now in this dilemma, that are now faced with changes in the banking structure through holding companies which are permissible and this type of regulation, if it succeeded, would freeze the unit banking system which most economists believe has poorer performance. This is the purpose of this inquiry, Your Honor.

Q. We have heard discussion from Mr. Schoepke quite recently regarding vertical foreclosure. Would you tell us what vertical foreclosure, both forward and backward vertical foreclosure may be, Doctor?

A. As I understand it, forward vertical foreclosure is where a supplier affiliates with one of its customers and thereby eliminates that customer from other suppliers of a service. Backward vertical foreclosure is where a buyer of a [1053] service affiliates with a supplier and eliminates that supplier from other buyers.

Q. Did we at one time have both backward and forward foreclosure in this case, Doctor?

A. Yes, we did. But, as I understand the plaintiff's case they have now eliminated the situation where other suppliers would be eliminated. They have eliminated the backward vertical foreclosure situation because of an inherent

contradiction in that if the First National Bank of Denver were eliminated as a seller of correspondent services by this acquisition, then that would imply that it was also eliminated as a de novo entrant because any market that had entered de novo, if indeed it then could not sell those firms in the market, it would similarly—the situation would be identical to entering through merger. So, the elimination of the First National Bank of Denver as a seller of correspondent services was tantamount to also eliminating the First National Bank of Denver as a de novo entry and in a potential competition case one is concerned with whether or not this bank would be a potential entrant.

Q. Would effect would a—would the adoption of forward vertical foreclosure arguments advanced here have upon the development of substantial alternatives to unit banking in this state and in other states similarly situate?

A. Well, it would imply that any significant buyer in [1054] the market could not be purchased or could not join a holding company because it would be eliminated as a buyer of correspondent services. If that were the case, it would have the effect of freezing a unit banking system throughout the state.

Q. Let us understand that exactly, Doctor. Are we suggesting that a certain level of alleged vertical foreclosure would be reached beyond which any vertical foreclosure would tend to substantially lessen competition?

A. No, I don't think so.

Q. I mean, is that the thrust of the government's case?

A. I would think that would happen a good deal in terms of what the government is saying.

Q. Let me put it to you in a different way. Let us assume that a certain number of banks took up 10 percent of the potential customers in terms of numbers or in terms of product, and at that point a suit was brought against another supplier because it was attempting to acquire another outlet and the thrust of the suit was this—was that this is a vertical foreclosure which forecloses other suppliers at an undue level. Would it matter on that theory, Doctor, whether that were a big company being acquired or a small company being acquired?

A. I think on that theory, Mr. Metzger, it would not matter. The level would have already been reached.

Q. So in this forward vertical integration argument, [1055] on its theory we would at a certain level, whatever

that level might be, stop substantial movement of holding company growth, is that correct?

A. On this theory we would, sir.

Q. Accepting that theory for the purposes of the next discussion, Doctor, is it your opinion that this affiliation would occasion a substantial vertical foreclosure of the competitors of the First National Bank of Denver in the offering of the correspondent services?

A. No, it would not.

Q. What is the amount of the dollar income to the First National Bank of Denver from this proposed affiliation?

A. Mr. Hogue testified to that figure. I believe it was $5,000.00 before taxes.

Q. Is this in any event a substantial vertical foreclosure?

A. No, it most certainly is not.

Q. Are you familiar with the term diminimus?

A. Yes.

Q. Do you believe this would be a de minimus foreclosure if foreclosure indeed it might be?

A. Yes.

Q. Doctor, let us assume the market alleged by the government—that we are talking only about six Denver suppliers of commercial banking services, and—correspondent [1056] banking services. And, let us assume that we are also talking about only Colorado as a market; assuming that these are realistic markets, has there been in your judgment a foreclosure of those suppliers in that market?

A. No. In fact the number of purchasers of correspondent bank services, if we use that term by assumption, has been expanding over time and rather substantially—in fact, and we can show that as well as the dollar volume of services with reference to tables—with reference to Defendants' Exhibit 28 and 29. In the last page of 28 there were in 1961 164 banking organizations in Colorado eliminating five suppliers of correspondent services. In that year there were then 159 potential customers for these services. 159 banks who were potential customers for this service. And, there were on Table 29 in this year, the difference between one billion one hundred ninety-six million dollars of services—of deposits held by the five banking offerers in name and the total state deposits of two billion three million, so we're talking about 1.1 billion dollars of banking deposits and representing 159 potential purchasing

banks in 1961. The corresponding figures in 1970 are 203 banks eliminating the banks of the offerers of the services, 203 banks, and total deposits of 2.2 billion, so the deposit base has doubled and the number of banks that we're talking about as potential buyers has grown from 159 to 203. [1057] Q. What is the significance of the increase in the base of the market and in the number of customers?

A. Well, foreclosure to me suggests that a market is shrinking & they're drying up & we have here evidence which is very much the opposite. Foreclosure to me also suggests that entry into the market is undesirable. If a market is being foreclosed, a potential supplier would not be very anxious to come into a dying market, but we see from Mr. Smukler's testimony, for example, that the Security National Bank in Denver is eagerly and aggressively entering this market. Obviously, they must feel it is not a shrinking market and their entry would prove that.

THE COURT: Well, at best here, we just have one potential customer, don't we, namely, the First National Bank of Greeley?

THE WITNESS: Right, yes, Your Honor.

THE COURT: Are available at present presumably to all of the banks in Denver, which furnish this kind of service. At best, that's the result.

THE WITNESS: Well, this is what is allegedly being removed from the market.

THE COURT: So that, if you remove the First of Greeley as a buyer of these services, in part at least, why, that's the only change you are making. Whether it is substantial or not, I don't say, but it is—for better or [1058] for worse, that's all that is involved.

THE WITNESS: Yes, Your Honor, which I think is the purpose that we were addressing ourselves to in looking at the dollar income from this account.

THE COURT: $5,000.

THE WITNESS: $5,000 before tax.

THE COURT: That's been brought home many times.

Q. Doctor, speaking of the question of the appropriate line of commerce within which to measure the services under discussion here that might be vertically foreclosed, can you tell us whether there is in your judgment anything unique in the method of sale of the services of commercial

banks to the particular class of customers at issue here, commercial banks?

A. No, I think that the banks are offering to other banks much the same services as they are offering to other business customers, and, therefore, correspondent banking is not an appropriate line of commerce. Each product is priced separately, as we have heard testimony to, and which supports my own knowledge of the area. Each product is priced so that it will give a reasonable rate of return or at least designed that way to the offerer, and the services are not sold as a package. Some buyers might buy one. Others might buy several. The only product to my knowledge that would be peculiarly sold to commercial banks would be Federal Funds [1059] transactions, since this is a particular area that no other type of business could—would have any use to avail themselves of, and for this particular line one could say that Federal Funds sold to correspondent banks was a line of commerce, but even if that were a meaningful line of commerce there would be a national geographic market because these things are transferred by wires all the time, and as we have heard testimony people shop from New York to San Francisco to get a better rate, to take advantage of time differences and so on, so for these type of reasons I would conclude that correspondent banking is not a reasonable way to define a line of commerce.

Q. Do you know of any line of commerce within which the commercial banks offer their services which immunizes any other lines of commerce involved from the competition of other offerers?

A. No, I do not.

THE COURT: Why do the banks like this account business so much? It doesn't pay anything and it is uncertain, has all these defects.

THE WITNESS: Well, I think, Your Honor, that like any other business, correspondent business, business for correspondent banks can be and is profitable. To say that there is a $5,000 profit earned on the First National Bank of Greeley account doesn't mean to say it is not a desirable [1060] account. It means to say it is not a large account, that you are not foreclosing any single transaction which has substantial economic meaning.

THE COURT: Well, it is probably a feeder of other business.

THE WITNESS: Well, I think, Your Honor, the same thing could be said from a good commercial bank. If one has a corporate account, one is likely to be able to sell other services to the executives of that corporation and give them personal loans, perhaps relatively good credit risks, and so on, so once you have a relationship built up, sure, you get to know your customers. I don't think correspondent banking is any different in this regard from any other commercial relationship. I wouldn't imply that it is undesirable or unprofitable business. I would just imply that it is not unique as a line of commerce nor is the First National of Greeley's account substantial as an economic magnitude.

Q. Doctor, to put that particular discussion in focus, would the part-time attentions of 15 people out of a 1,400-man staff become compensated adequately at a very small proportion of the gross income of the organization?

A. Yes, indeed, it would.

Q. What of the appropriate section of the country within which to measure the impact of the alleged vertical foreclosure in any of the lines of commerce with which we [1061] are speaking?

A. Well, we would look to the area in which the First National Bank of Denver is an effective competitor in the sale of these services.

Q. Would that vary from service to service?

A. That would definitely vary from service to service. It would be a much broader area for overlines than it would be for check clearing where speed is of the essence, and in so analyzing this I would draw upon Mr. Hogue's testimony when he talked about traveling through eight states. For different——

THE COURT: You mean to say they didn't get this right either about the geographic area? You don't agree that Denver would be the appropriate——

THE WITNESS: No, I do not, Your Honor. I believe that——

THE COURT:—market?

THE WITNESS: I believe that one would have to look at service by service. I do not think that there is anything really unique about a Denver bank in terms of what it can

do. I'm not denying the convenience of a Denver relationship. I am just——

THE COURT: Wouldn't you agree it will be the place where it competes, where the First of Denver competes?

THE WITNESS: Oh, indeed, I think that the First of [1062] Denver does compete in the Denver area for most of the services that it sells. This is its market area, but in its correspondent banking business and its relationship with correspondent banks I think Mr. Hogue testified that 40 percent of the dollar volume of its accounts were outside of Denver.

Q. Outside of what, Doctor?

A. Outside of Colorado, excuse me, and that some better than 50 percent of the number of accounts were outside of Colorado, so I would think one would look toward a somewhat broader area, again depending upon the services, but if one wants to pool them together I would say that certainly the immediately surrounding states would have to be included.

THE COURT: Well, my point is this, they are not in competition with outlying banks in this area.

THE WITNESS: In the market for correspondent services, if there be such a market?

THE COURT: Yes.

THE WITNESS: I would think that they do compete for many types of these services with banks from Omaha and Kansas City and so on. Certainly, for overline business, it would be my judgment that they do compete. For check clearing, nowhere near as much so, because of the immediacy and speed with which these collections have to take place.

THE COURT: But, certainly, most of their [1063] competition would be with the banks right here in Denver, wouldn't it, to the extent of service?

THE WITNESS: It would probably be somewhat more direct with the banks in Denver, yes, Your Honor.

Q. If I draw 40 percent of my business from a given market area, Doctor, is that part of my service area?

A. Yes, it is.

Q. Does the First National of Denver compete for correspondent business where? Do you know what area it regularly solicits?

A. It solicits an eight-state area: Colorado, Kansas, Nebraska, Wyoming, New Mexico, part of Montana, a little part of Idaho, Texas Panhandle. I believe that approximately describes the area in which they compete.

Q. And with more than half your accounts and 40 percent of your business in that area, would you view that as part of your service area?

A. Yes, I would.

Q. Would you consider that you were competing with other banks offering those services in that area?

A. Yes, I would.

Q. Are banks outside of Colorado offering those services in Colorado?

A. Yes, they are.

Q. Are they offering those services to the rest of the [1064] banks served by banks headquartered in Denver?

A. Yes.

Q. What would you view the market area served by a Denver-based bank offering correspondent services in the areas indicated by the First National of Denver?

A. I would view it to be approximately those states I mentioned in which it is offering services actively, actively soliciting services.

Q. Is this on the same theoretical base that we discussed earlier as to the bases of determining sections of the country for potential competition cases?

A. Yes, it is.

Q. Doctor, are average balances an adequate measure of market share in correspondent activity?

A. No, they are not. It depends very much on what services you are offering and selling for those balances.

Q. Are they a measure of correspondent activity?

A. No, they are not, because some balances can be completely dormant and other balances can be paying for a wide variety of services and other balances could be paying for only one service and in large quantity and so on.

Q. Would uncollected balances tend to vary substantially from account to account?

A. Yes, they would vary directly with activity. An account which is totally inactive, the dollar volume on the [1065] account would be fully collected, whereas one which is very active would have, as we have seen, perhaps as much as 80 percent in uncollected funds.

Q. Now, in analyzing the profitability of the First National Bank of Greeley, I believe we indicated a rather high level of uncollected balances. Can you associate that high level of uncollected balances with the kind of business activity you would see in Weld County, Doctor?

A. I would associate that with large activity of that account, relative to its size.

Q. Would association with international business tend to mean there might be a substantially high order of uncollected balances?

A. It could very well be associated with that, yes.

Q. So when you saw a balance of $1 million or $200,000, would you be able to tell which account was the more active or the more profitable?

A. That figure in and of itself would not tell you anything.

Q. Do we then have any measure in this case, in the case presented by the plantiff herein, upon which we can judge either the profitability or the activity of the various offerers of correspondent services, either in or outside the State of Colorado?

A. No, we don't.

[1066] Q. Turning, Doctor, to this question of the convenience and needs of the community to be served herein, can you tell us whether or not——

THE COURT: I think we will take our afternoon recess at this time. You may step down.

MR. METZGER: Yes, Your Honor.

(Whereupon, at 3:14 o'clock p.m., the Court recessed.)

[1067] (Following a recess the trial resumed at 3:43 p.m.)

MR. SCHWARZ: Your Honor, may I ask the Court to indulge me for a moment to correct the record for one fact that entered in the record yesterday.

Yesterday the witness Mr. Falkenburg at Page 872 of the transcript testified that one of the downtown Denver banks, a very small one, now offers a free checking account, full range across the board. We have determined today that that is not true. No such bank does offer such a free checking account, and I have been authorized by the government to say that this is a stipulation, that the record can be changed to that effect.

THE COURT: All right.

MR. BRENAN: We would agree to that.

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[1071] Q. In summation, Doctor, do you believe that this proposed affiliation would in reasonable probability substantially lessen competition in Weld County or, if you will, in Greeley?

A. No, it would not. It would have no effect on competition. Any anti-competitive effect would be I think outweighed by the pro-competitive factors I have talked about.

Q. Do you believe that the First National Bancorporation is a reasonably likely potential entrant within the reasonably foreseeable future into Greeley de novo?

A. No, I think it is highly unlikely that de novo entry for the reasons we have discussed is even more than a remote possibility in the reasonably foreseeable future.

Q. Do you believe that there is any substantial vertical foreclosure associated with this proposed affiliation?

A. I believe there is not.

MR. METZGER: No further questions, Your Honor.

MR. SCHOEPKE: May it please the Court.

CROSS-EXAMINATION

By MR. SCHOEPKE:

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[1073] Q. I wonder, would you tell us again what the name of the organization is that you are associated with?

A. Mathematica.

Q. And how big a staff did you say Mathematica had?

A. We are just under 200 people now, in total.

Q. Might I just ask, do the fees that you receive for appearing here go to you personally or do they go to Mathematica?

A. They go to Mathematica.

MR. METZGER: Objection, Your Honor. I think we have gone far enough on this. Counsel is not inquiring on any area that would be relevant here.

[1074] MR. SCHOEPKE: I have finished my inquiry into this, Your Honor, at least on the money part of it.

THE COURT: All right. Well, that indicates that he doesn't have any personal interest, if the fee goes to the —is this a service organization? Do you contract with government agencies?

THE WITNESS: Yes, about 80 percent of work is with——
THE COURT: Federal Government?
THE WITNESS: Federal, state and local.
THE COURT: For making studies and surveys?
THE WITNESS: We have a variety of assignments.
THE COURT: Seminars, too?
THE WITNESS: We do some of that, too. Our largest contracts are now with OEO and Department of Health, Education and Welfare. We are doing experiments on negative income tax in New Jersey and an income maintenance experiment in Seattle and another one starting here in Denver shortly. These are the largest in volume contracts the company has, but we have worked for almost every major federal agency and states and localities and manufacturing companies right through the line of industrial type clients. It is research and consulting, some management consulting as well.

Q. Now, Mr. Metzger asked you at the beginning of your testimony if you had consulted at all, done any consulting work with the Controller of the Currency, and I believe you indicated [1075] that you had?
A. Yes.
Q. And was that in connection with the United States vs. Provident Bank case in Philadelphia?
A. During the time—yes, but during the time that I testified in Provident I was also a regional economist for the Controller in the Third National Bank Region, State of Pennsylvania, and I did testify for the Controller in the Provident-Central Penn merger case, which you mentioned.
Q. And you testified generally, did you not, that that particular merger would not have an anti-competitive effect?
A. Yes.
Q. And isn't it a fact that that case was decided in favor of the government?

MR. METZGER: Objection, Your Honor. What on earth does it prove with relation to this case? The relevancy of this is like straining for a gnat.
THE COURT: Well, we have heard a good deal about the cases the government lost. Maybe this will counterbalance that in some way.
MR. METZGER: Only if he mentions the next three cases

that the Doctor testified on, Your Honor, but he is going to skip that.

MR. SCHOEPKE: Well, you can bring that up on recross, if you wish. I won't object.

[1076] Q. Now, you also testified I believe in the Phillipsburg Bank case, I believe, did you not?

A. Yes.

Q. And did you not testify in that case that banking was not an appropriate line of commerce in bank merger cases and that the particular merger there involved in the Phillipsburg case would not have an adverse competitive effect?

A. Yes, I so testified.

Q. And is that not the case that went to the Supreme Court and was reversed by the Supreme Court in favor of the United States?

A. Yes.

Q. Now, Doctor, I don't wish to—well, first off, I believe in the beginning of your testimony, when we were having that discourse about whether or not you were an appropriate person to interpret what Congress had in mind in speaking of the rising tide of concentration I believe that you then indicated that you felt that the rising concentration was something that was more concerned with industry in general and to you at least it was not as important in the banking field as it was in overall industry. Was that about your testimony?

A. I don't think that's precisely what I meant. I was talking about national trends across many industries that the Congress was observing, talking about a rising trend in concentration across many industries which had experienced such a trend, and then I addressed myself to the specific question of whether that was true in banking or not, whether that statement was applicable to banking or not. [1078] Q. Well, now, I would like to read you—I'm not going to discuss law with you, but I would like to read you a statement from the Philadelphia opinion and ask you whether or not you agree with it.

> "There is no reason to think that concentration is less inimical to the free play of competition in banking than in other service industries. On the contrary, it is in all probability more inimical."

Do you agree with that statement, or do you not?

A. I agree with the statement——

THE COURT: What are you reading from?

MR. METZGER: United States versus Philadelphia United States National, 374 U.S. 363.

MR. SCHOEPKE: This witness, Your Honor, may have various theories of his own about what's important in terms of concentration and competition and so forth, but they may not square with what is the established law of Section 7, so I am merely directly my—I am just asking him whether or not he agrees with some of the——

THE COURT: I think he ought to have a chance to read it in its context.

MR. SCHOEPKE: May I show it to him in its context? I don't mind how he answers it.

THE COURT: Well, I think as a matter of fairness—I mean, you can pick out any sentence and read it.

[1079] THE WITNESS: Where are we?

MR. SCHOEPKE: I don't know if there is anything to start before it. This is what I just read from. This is on page 369 of 374 U.S., Philadelphia National Bank case.

THE COURT: I think what he said really was that there was less concentration, tends to be, in banking than in other industries.

MR. SCHOEPKE: May I object to Mr. Metzger giving signals?

MR. METZGER: I was going to make the point verbally and I will. In order to make it clear, the context of that statement, Your Honor, the court was speaking in the context of the fact that in the Philadelphia market with about six billion dollars worth of deposits there had been a reduction in a 14-year period from 1947 to 1961 from 108 banks to 40 and that the 7 largest banks in the market had increased their market share from 61 percent to 93 percent, and that was the context of that representation by the court, and I think that ought to be in the contemplation of the witness when he discusses that sentence.

MR. SCHOEPKE: I don't see that that's in the context. This is just standing there right by itself in discussing the general question of concentration.

THE COURT: Overruled. He can answer the question.

Q. All right, would you tell us?

[1080] A. Certainly, I agree with the first half of that statement. I do not necessarily agree that it should be any

more so in banking than elsewhere, which is the second half. I believe, however, that when one talks about the effects of concentration on performance that it is very critical to know exactly what the appropriate market is, what the relevant line of commerce is, and what type of concentration we are talking about, because I think that the link between the numbers, the share of market numbers, and the actual economic consequences about what is happening or is going to happen is very tenuous.

Q. And you think there should be different rules applied to banking than to industry in general?

A. No, sir, I do not, in the context of the statement that I have just made.

Q. Now, I would like to ask you in this connection, do you believe that market structure of an industry is a valid starting point for analyzing the competitive aspects of that market?

A. Yes, it is a valid starting point.

Q. And do you believe that market structure in banking is a valid starting point for analyzing the competitive structure?

A. Yes, I do.

Q. And how would you compare it to performance? Do you think it is more important, that market structure is more [1081] important in analyzing competitive aspects of a market or performance?

A. I think performance is competitive aspects. It is performance that we are talking about that we are looking toward. The reason that concentration may be bad, that certain types of concentrated market structures may be undesirable, and the reason that we may try to eliminate them through antitrust laws is because it is assumed that there are certain correlations between market structure and performance. What I am saying is that market structure is a first and reasonable step to begin to analyze what performance is likely to occur, because other things equal in a very highly concentrated market one would expect different performance from another appropriately designed market which has many, many sellers, and, therefore, that is a first step in our analysis of what constitutes performance.

Q. Are you familiar in economics with the term "concentration"?

A. Yes.

Q. What does that mean to you?

A. Concentration is normally used to refer to the proportion of a market which is held by a given number of sellers or given number of buyers, if one is looking at the buying side.

Q. All right, now, let me ask you this. If you have [1082] a situation of the type which you have been testifying on——

THE COURT: Well, doesn't it mean a market which is pre-empted by sellers who are capable of controlling the supply, the profits and price?

MR. SCHOEPKE: Yes, the number of those with a sufficient share of the market among a few.

THE COURT: Yes.

MR. SCHOEPKE: So that they are——

THE COURT: I mean, that's what you told me earlier.

MR. SCHOEPKE: Yes.

THE COURT: I think.

THE WITNESS: Well——

THE COURT: In other words, a market which is likely to produce restrictive practices.

THE WITNESS: Your Honor, may I——

MR. SCHOEPKE: Yes, likely, and in parallel action, live and let live, all of those things.

THE COURT: Yes.

THE WITNESS: May I come in on this, Your Honor?

THE COURT: Yes.

THE WITNESS: I look to parallel action and restrictive practices and the exercise of market power by the large firms in the market as performance criteria, and the way I would define concentration is simply a numerical value. [1083] A concentration is the percentage of the sale or the assets or whatever indicia is held by the one, two, five, ten largest firms. An overall concentrated market is one in which the number of firms is too few so that the performance is adversely affected in the way that we have been discussing it. One can have a performance—a market, however, which is numerically concentrated where you have a few firms holding a small portion, small proportion of the market, yet because of the economies of scale or because of the restrictions of regulation or because of a number of other factors, including the threat of potential entry, you get a

very acceptable level of performance. In fact, you get a much better level of performance than you would if you had many, many small firms not able to produce at an efficient rate, so I am really trying to draw a distinction from Mr. Schoepke's questions from what would be good performance and what would be unsatisfactory performance, and I am simply saying that all that the concentration ratios tell us is a very initial starting point, a basic index of how a given type of industry is structured, and in and of themselves they really tell us very little about how that industry is going to perform or how one could expect it to be able to perform under certain situations.

[1084] Q. (By Mr. Schoepke) Well, Dr. Baxter, may I just review this portion from the Philadelphia opinion, and I will give it to you so you can see if I have taken it out of context. "Furthermore, the test is fully consonant with economic theory that competition is likely to be greatest when there are many sellers, none of which has any significant market share, is common ground among most economists and was undoubtedly a premise of the congressional reasoning about the anti-merger statutes."

Except for the last phrase which we have been through, do you agree or disagree with that statement?

A. As a broad generality of economic theory, I think I am aware of the context, sir. There is—as a broad generality of theory, it is something that is true. But it is true again other things being equal, and the question is whether or not—the question has to be determined to what is a significant number of sellers in any given market. What is a sufficient number of sellers to constitute effective competition. When we are talking about two sellers—if there were two banks in Philadelphia, and we are talking—and if we were talking about whether a third bank would add to competition in a market like Philadelphia, my answer would be obviously a market of that size, given the structure of the market, this would be just by simple virtue of being another number as this quote points out, it would be an [1085] addition to competition. But, I think you can only talk about these things in terms of the type of market, in terms of the size of the institution, the necessary size enabling it to compete, and in terms of what national benchmarks would imply is a reasonable number of firms competitively in that type of industry.

I don't think that a hundred banks in Philadelphia would

behave any better than 50 by virtue of these numbers, the difference. The fact is that they would probably behave worse because they would have much less resources to do the things that have to be done.

Q. Dr. Baxter, I show you Plaintiff's Exhibits in evidence Nos. 73 through 86, which you will recognize, I am sure, is the market structure of the City of Greeley and the Greeley area in various contexts and various terms.

A. Yes.

Q. I believe I have shown you Plaintiff's Exhibits in evidence No. 73. Now, I show you 74—Plaintiff's Exhibits 74 through 86 and ask you if you would examine those.

A. Yes, sir.

Q. Now, I would just like to ask you, Doctor, on the basis of your examination of those documents, would you consider in your opinion as an economist whether or not banking in the city of Greeley and/or the Greeley area is concentrated.

A. I would consider that it is not concentrated on the [1086] basis of these documents plus the other information that I have, the knowledge of the size of the community, the knowledge of the size of the banks, the relation of the community to its surrounding area, and so on. On the basis of these documents alone, without any other such information, I couldn't arrive at a reasonable judgment.

Q. On the basis of these documents plus your other examination and study and so forth, I take it that it is your opinion that the Greeley market or the city of Greeley and Greeley area is not a concentrated banking market.

A. That is correct.

Q. Now, I'd like to call your attention to Defendant's Exhibit No. 29——

MR. SCHOEPKE: And as a premise, Your Honor, we have a very serious pragmatical problem with this. But, subject to correction, I'd like to call the witness' attention to——

Q. You have there in Defendant's Exhibit No. 29 a table indicating from these figures at least that overall statewide concentration has dropped slightly. Is that pretty much what the table shows?

A. Yes.

Q. Now, during this period I believe—it was also part of the testimony that some 60 new banks have been organized. In view of the fact that 60 new banks have been [1087] or-

ganized and that there is very little drop in concentration, I'd like to ask you—does not this indicate to you that the Denver market is concentrating—I mean, that the state of Colorado banking situation is concentrating?

A. Quite the opposite, Mr. Schoepke. It indicates that the structure of the market, if Colorado is a market, and I have discussed that issue earlier—but if one were to assume that Colorado were a market, it would imply to me that the market was anything but concentrated because in a really concentrated market, new entry is unlikely, is prohibitive. You can't make a profit if the market power of the biggest firms in that industry, in that market, are going to prevent the little guy from coming in and doing reasonably well, and we have seen here that he does come in.

Q. But if you've got 60 new banks coming in, would you not expect the concentration among the market leaders to drop substantially?

A. No, I don't see why that would imply necessarily in a market of 230 banks. The new banks that are coming in are obviously going to be very small in their early days. All banks in the market are growing and one would expect—and there have been some acquisitions by holding companies. This table refers to banking organizations rather than banks. And so I would say that this four-point or almost four-point drop in concentration as measured on a statewide basis would be [1088] barely significant.

Q. Do you consider that an indication of a deconcentrating market? Is that it?

A. I don't consider that Colorado is a banking market as I have indicated in my direct testimony.

Q. I'm sorry. You discussed this document. Would you consider——

A. I said in looking in terms of the trends in the state, and in looking in terms of the largest organizations in the state, that this decline over the last ten years implies to me that there is some reduction in the importance of the largest organizations in the state to the total deposits of the state. The fact that new banks have been chartered during the same time also implies to me that this is not a concentrated market.

Q. Now, I'd like to direct your attention to document—Defendant's Document No. 30, if I may, which is a list of percentage share of deposits in the largest banking or-

ganizations in the various states. Do you know how these concentration figures came about?

A. I'm not sure I understand your question.

Q. Well, do you know how many of these concentrated markets are of the result of merger activity? Do you know how many are the result of internal growth? Do you know whether they were before the antitrust laws or after the [1089] anti-trust laws? I mean, do you know these things?

MR. METZGER: I don't believe the witness has testified that these markets are concentrated. I think that was counsel's predicate.

Q. Well, then, I will confine my question to the percentage share of deposits of the largest, the three largest and the five largest banking organizations in all of the states. Do you know how the percentage shares that are here listed came about? Did they come about by merger or by internal growth or just growth of the state? Or what? Do you know?

A. Yes. I cannot give you a detailed history of each state by state, of course, but in general I think I can be responsive to your question.

[1090] Q. All right.

A. Most of the present statewide banking organizations in those states that allow statewide branching and statewide holding companies have been formed—have come about through mergers and acquisitions than internal growth. There are very few large banks in branch banking states or holding company states, and—confining ourselves for the moment to branch banking states—that grew to anything near their present size without mergers and acquisitions and that this type of activity has enabled these banks as they have become larger to actually serve more markets and serve them better and in the context of the question that you asked me to say that a given percentage is held in statewide deposits by a given number of banks is to ignore the fact that I testified to that banking markets are essentially local in nature and the issue is really in statewide banking states where concentration may be high on a statewide level, what is the structure of the individual markets. How many alternatives does the customer in these individual markets have open to them. I would submit that these states on a statewide basis appear to be concentrated and have gotten there through

merger, still leave the consumer with a great number of alternatives and more competition than the local level.

Q. Well, you're entitled to some latitude but I simply asked you if you knew how they got to these concentration [1091] figures.

THE COURT: Now, you know.

Q. Now, I believe that you indicated that in your opinion that larger banking customers have wider markets, is that right?

A. Yes.

Q. And that the smaller banking customers are confined to the more local markets. Isn't that about what you testified to?

A. Yes.

Q. Well, assume that you have concentrated local markets—I'd like to ask you—aren't the smaller customers the ones that are most adversely affected in concentrated markets that are local in scope?

A. If a local market were concentrated I think that that is a correct supposition. And, if from this concentration—I should add—stemmed sort of inadequate performance that I'd try to preface this with, then these smaller customers could not travel as far as the larger customers and given those judgments I would agree with your statements.

Q. Now, I'd like to just ask you about Defendants' Exhibit 32. Am I correct in my recollection—that is a list of states which have unlimited statewide branching. And am I correct in my recollection that you indicated that in states which permitted complete statewide branching, that there was [1092] a concentration of deposits and a fewer number of banks than other states which did not permit statewide branching?

A. On the statewide level, yes.

Q. Now, I'd like to direct your attention to Defendants' Exhibit 33 and 34, Doctor Baxter. These talk about the average number of commercial banks per city in various cities. Am I correct in my understanding that these just talk about the number of banks, you know, bank by bank rather than the relative size of banks, don't they?

A. Yes. They talk only about the number of alternatives. In the case of Table 33, it is banks. In the case of Table 34, it is banking organizations. The number of alternatives

available in the cities of specific sizes under these two banking structures.

Q. And this is just a nose count of the number of either whatever basis you have used in the respective tables, the number of banks or the number of banking organizations—it's just a nose count? It has nothing to do with the relative size of the respective banks?

A. That's correct. But I would add that a nose count is relevant. Because, it talks about competitive alternatives.

Q. Well, then, on the basis of this nose count, is it not conceivable that one of the banks that you have listed in your nose count might have 80 percent of the business and the other four or five or two or three only have 10 or 15 percent?

[1093] A. In some of these communities, that is certainly true. The consumer still has a certain number of alternatives and when a number of firms compete and one aggregates statistics, one always tends to concentrate in on a few issues.

[1094] Q. Dr. Baxter, you also discussed with Mr. Metzger Defendants' Exhibit No. 39, which traces deposits and market share of banks in Greeley from 1950 to 1970, and I believe that you indicated that in percentile terms at least the First National Bank of Greeley had dropped from 49 percent of the market down to——

THE COURT: 31.

Q. (Continued) 32.6 percent——

MR. METZGER: 49.8.

Q. (Continued) 49.8 at the beginning. Now, I direct your attention to the Greeley National Bank, which as is indicated went from 33.3 percent up to 34.9 percent. I would just like to direct your attention to the absolute number of deposits between those two banks. Isn't it a fact that the Greeley National Bank is only slightly larger than the Greeley First National Bank in absolute deposits?

A. Right, it is.

Q. And I believe that you also testified to the—well, do you recall what you testified with regard to the West Greeley National Bank or the Greeley State Bank as to its—that's I believe what you talked about—as to its limited growth in this period of time?

A. I don't believe that I discussed the State Bank of

Greeley. I would interpret its limited growth during this period of time as evidence that really another bank is not [1095] justified by the economy of the area and also of evidence to their ability really to do something unique and aggressively go out and compete. I believe my testimony was to the decent performance of the Cache National and West Greeley National, which are affiliated with Greeley National.

Q. All right, one started in 1962. That was the Cache National Bank, and then the West Greeley National started in 1970. Do you really think that the limited period of time is sufficient for you to base an overall judgment as to the significance of these banks in the particular competitive market? Is five or eight years enough for a newly organized bank to permit you to make a determination on the competitiveness of the market?

MR. METZGER: If I may, just to correct the record, that the Doctor may have it before him, the State Bank of Greeley was not a newly organized bank. It was a conversion of an industrial bank and its deposits at the end of the first year reflected that conversion in those dollars already on deposit at that time, and with that caveat I think I have no objection.

A. Mr. Schoepke, I am not certain I understand. Are you referring to the Cache National and the West Greeley National?

Q. Let's take them one by one.

A. Well——

[1096] Q. The Cache National?

A. Well, it was started in 1962, or that was the first year—started during '62, and I think that the fact it achieved these deposit figures indicates that they were offering a service. This looks like a fairly decent growth rate. Their market share has increased steadily from initially up to six percent.

Q. Well, that's all on the record. I am just asking you do you think that from the years '62 through '67 is a fair time period within which that you can properly judge the competitive situation in the Greeley market vis-a-vis new banks?

A. Well, it would depend for what judgment. I am not—it would depend to what purpose I was using five or six years of observation. I couldn't answer that generally. In the case before us I think one could say that it was a

long enough period to indicate that they have done relatively well, whereas two or three years would not be long enough.

Q. Would your same answer apply to the West Greeley National Bank, which was organized in '63?

A. Yes, and they have not done as well.

Q. And would it also apply to the State Bank of Greeley, which was converted from an industrial bank in 1965?

A. Yes, probably more so because of its past history.

THE COURT: These are all part of another holding [1097] company.

MR. METZGER: The Cache National and West Greeley National are affiliates of the Greeley National, and the Greeley National Bank, those two banks and the Farmers Bank of Ault became part of the ABC holding company group.

THE COURT: That's Cache?

MR. METZGER: Cache, West Greeley and the Greeley National and Farmers Bank of Ault are four of the 13 banks in the ABC group.

MR. SCHOEPKE: What happened, Your Honor, is that the Greeley National Bank went out and organized affiliates in and around Greeley——

MR. METZGER: Not quite accurate, Your Honor. The Farmers Bank of Ault was acquired——

MR. SCHOEPKE: Well, Ault is not the one we mentioned. Cache was organized as an affiliate and so was the West Greeley Bank, following the population out in the suburbs, the same sort of thing that First National Bank did here in Denver, so it was a group of three affiliates and they joined the ABC holding company, of which you have heard in this case.

THE COURT: Well, it is not like a brand new bank starting up fresh, without any support.

MR. SCHOEPKE: May I ask the witness that question?

Q. Do you think that in view of the fact that these banks were affiliates of the Greeley National Bank, do you [1098] think that is a factor that would be appropriate to take into consideration in considering their success over this relatively limited period of time?

A. I would say it is a factor, yes, definitely.

Q. Now, I believe, Dr. Baxter, that you indicated that insofar as banks are concerned that a lot of bank customers,

once they establish a relationship with a bank, don't shift their relationships too readily. They tend to stay with one bank. Was that about the substance of——

THE COURT: He is talking about a small community.

MR. SCHOEPKE: In the small community.

THE COURT: That the drugstores deal with different banks and stay with them.

A. Yes, and relative to other industries where one is purchasing a consumer product, for example, one buys cigarettes daily, one doesn't change a bank relationship daily.

Q. Too readily?

A. Yes, and I was also talking about that in terms of the impact of advertising on this type of industry. You are not going to switch back and forth every day.

Q. But because of that slowness to switch, shall we say, would you say that banks in a local market are not in competition?

A. No.

Q. They are still in competition, are they not?

[1099] A. Of course.

Q. In other words, if one bank offers a terrific service, a regular customer of the bank across the street might then be tempted to shift his account or his business or his custom, whatever he has, to the bank that was giving him the deal that appealed to him?

A. Indeed, he would, and that's the benefit of competition.

THE COURT: He wouldn't shift it in order to get a trip to Las Vegas, though, I don't suppose. I think he would value more highly having a source of a loan if he ever needed to borrow money. Everybody has to search sooner or later, I would expect.

THE WITNESS: And I think in the context that I was talking about this, Your Honor, we were interested in whether or not advertising was a really important advantage to banks, and the question came about could they through very heavy advertising budgets, which do not exist in banking, be able to prevent new firms from coming in, and so to speak entrench themselves.

In terms of the smaller communities, from our survey I would only add that the hypothetical offer of a better service, which is what I would equate to competition, didn't occur very often. Of course, the customers would respond

to it and would switch, other things equal, if they could get a [1100] better service, but whether that was forthcoming or not was the subject of my investigation.

Q. Now, Dr. Baxter, you were asked by Mr. Metzger about triggering and the gist of your answer, if I recall it correctly, was that the triggering effect in banking was not particularly impressive on you because banking is a highly regulated industry. I would just like to ask you in your opinion as an economist do you think that because of the presence of regulatory authorities in the banking industry, do you think that the antitrust laws should not apply to the banking industry?

A. No, I think that the antitrust laws should definitely apply to the banking industry, and indeed one of the functions of the Justice Department to advise on all these mergers and acquisitions is to—and to file suit where necessary and where it is deemed necessary—is one of the reasons why I do not think much of the triggering concept, because to say that this acquisition will trigger the next one and the next one and so we will get to a hypothetical point five years later where there will be an acquisition that would be substantially anti-competitive doesn't apply in the banking industry where you have constant surveillance, because when you sue five years hence that substantially anti-competitive acquisition will be declared illegal and all those that went before that were not substantially anti-competive by assumption would not be declared illegal, whereas in an industry that you [1101] do not have this regulatory power to constantly surveil, constantly look at each application you will get by the board, you sue now to prevent what will happen because you can't possibly track each merger and acquisition. This was my distinction.

Q. Do you think we should remove the triggering influence as one of the dangers that we in the Antitrust Division should look at in analyzing the competitive effect of bank acquisitions?

A. I can't quite answer that yes or no without an explanation.

Q. Well, should we ignore triggering or should we not?

A. I think the triggering in a merger or acquisition such as this one in banking which is regulated is not a very meaningful concept to me.

Q. Is it a totally meaningless concept?

MR. METZGER: May I ask, Your Honor, if that was in any particular context?

MR. SCHOEPKE: Well, I am just following his answer, Your Honor. He said it was not very meaningful. Is it completely meaningless?

MR. METZGER: Are we talking about banking or industry?

THE COURT: You mean the way he defined it?

MR. SCHOEPKE: Yes, how do you define it?

THE COURT: Well, he defined it already. He said in [1102] the procedure it meant that although this might be harmless in itself it might trigger three or four acquisitions and the third or fourth one might be anti-competitive and that fact shouldn't influence you in deciding the validity of the instant one. Do you think it should?

MR. SCHOEPKE: Well, is Your Honor threatening to put me under oath? Yes, I think the triggering influence is always present. That is one of the elements that we have to look at.

THE COURT: As he defined it.

MR. SCHOEPKE: Brown Shoe said if we permit this merger involving five percent of the market we will be called upon in a few years by other people to approve a similar merger, and on and on we go.

Mr. METZGER: I think Brown Shoe discussed undoing other mergers, Your Honor, which is the key distinction.

A. Where each shoe industry merger can't possibly be watched and reported before it occurs and passed on by the regulatory authorities where they have a responsibility to consider competitive effects, I think the triggering concept is quite different.

Q. Yes, but——

THE COURT: In other words, if you set a precedent, I expect there is some danger it will produce some anti-competitive mergers in that situation, is that right?

[1103] MR. SCHOEPKE: Yes, and might I just ask the witness it is true we have been discussing shoes, but in the banking field it is true that we have to sue a proposed merger within 30 days after its approval?

THE WITNESS: That's true.

Q. You know that as an economist, do you not?

A. That is correct.

Q. Now, were you in the court the other day when Mr. Moon, the president of Affiliated Bankshares Corporation, testified?

A. Yes.

Q. Did you hear him say that one of the factors that influenced the decision to form the Affiliated Bankshares was the fact that United Banks and First National Bancorporation were engaged in negotiations to acquire banks in various important areas in Colorado? Did you hear him say that?

A. I don't think that was the spirit of that portion of his testimony, Mr. Schoepke. I think what he was saying was that the fact that these other people formed holding companies, the things that prompted these other holding companies to grow around the state, to want to grow around the state, were similar to the factors that prompted him to do this. He wanted a holding company which had the advantages, the economies of scale and so on that we have been talking about, and so did these other people, but it wasn't their presence in the market [1104] or the threat of their dominance in the market that forced him to do anything. I am sure the record will show what Mr. Moon said.

Q. Well, the record says what it says, but didn't he indicate that it was to maintain his competitive position vis-a-vis these other holding companies? That was one of the factors that influenced the formation of the Affiliated Bankshares Corporation?

A. To do the sort of things to compete effectively and thereby maintain his competitive position.

Q. Do you agree with Mr. Moon?

A. Yes.

THE COURT: Well, that implied that the action is a competitive one, doesn't it, because it is defensive? In other words——

THE WITNESS: Well, Your Honor——

THE COURT: It is self-defense?

THE WITNESS: No, I wouldn't characterize it as defensive, Your Honor. I would say that there are advantages inherent in the holding company form of organization, taking advantage of economies of scale, being able to provide better services and better personnel and so on, and these advantages induced United Banks to make acquisitions around the state and induced the First National Bancorporation.

THE COURT: Well, I know, but he might be perfectly [1105] happy to stay at home. He has plenty of money.

Why should you stir it, but if your competitors are moving, why you have no choice.

MR. METZGER: May it please the Court, this is precisely why—in order to obviate the contention that this was a defensive move—that I asked Mr. Moon the question, "Would you have made this affiliation if no one else had created a holding company," and his answer was yes, that his holding company was organized for his own motives, not defensively. That stands out stark and clear in the record, Your Honor. This was not a defensive move on his part. He said, "I would do it if no one else moved."

THE WITNESS: Might I also point out, Your Honor, in response to your question, that the record from my testimony has shown that where banks did not affiliate with holding companies, in holding companies, which did enter the discussion of the Western Bancorporation and the United Banks' movements into various areas, that these other banks were nonetheless able to maintain their market shares, and there is no evidence that the movement of these holding companies forced anyone else to do anything. There is I think very strong evidence that independent banks were able to continue to compete. Nonetheless, they might have to compete harder against a more effective organization, which is the sort of benefit that we are talking from a competitive banking structure.

[1106] Q. Well, then, do I understand that the test in determining whether a particular acquisition is competitively adverse is a retrospective one, to look behind and see what's happened in the past, or do you look ahead? Which one do you apply in analyzing a competitive or the competitive impact of a corporate or a banking acquisition?

A. Well, you look ahead in terms of what is likely to happen, but you predict the future and learn about the future and understand what is reasonable as a fact as opposed as to what is just a theoretical construct by looking at what has happened in the past and in circumstances which are as similar as you can structure them. They, of course, will never be identical, but you structure them as similar as possible and then try to learn from the past to project into the future.

[1107] Q. Well, can't we get that benefit in Greeley by de novo entry without losing the competition provided by an independent First National Bank of Greeley?

A. Well, Mr. Schoepke, I think there are several points that I have to make to respond to your question.

First of all, we are not losing anything by the movement of the First National Bancorporation in Greeley if my testimony is deemed correct to the extent that the potential entry is highly unlikely in the foreseeable future. We have heard a lot of testimony about the so-called Wings theory, and my judgment is, and I think the sum of the testimony has been, that it is very difficult to prove that there is an effect on the activity of the banks in the market.

But, if I am in my judgment with these positions, we lose nothing by having the First National Bancorporation come in. Now, if potential entry as another force is unlikely, given my own evaluation of the growth of the market, of the number of banks in the market, and of the regulatory climate I believe such potential entry is highly unlikely.

Q. You mean to say that you take the First National Bank of Greeley which is some 40 million—40 and a half million in deposits and you substitute for that Bancorporation which is some 500 million in deposits? You mean substituting that for the First National of Greeley will have no competitive effect in the Greeley market?

[1108] A. I think it will have a strong procompetitive effect. We're not putting all the resources of the First National Bancorporation into Greeley. We are putting some of the management talents, some of the depth, some of the know-how to work.

Q. Some of the deep pocket, maybe?

A. I see no ability, no reasonable probability of why the resources of the First National Bancorporation can be used to adversely affect the competition in this area. I think the evidence of what has happened to Western Bancorporation and what has happened to United Banks in the markets that they have moved into, show no evidence to be able to do anything anticompetitively just to compete more.

We believe that the First National Bancorporation would be able to compete more effectively in the Greeley market as it does in the Denver market.

Q. With whom?

A. With the banks that are in the Greeley market in Greeley and with the banks that are in the Denver market in Denver.

Q. Well, would you be able to compete—you say with the State Bank of Greeley—the little four or five million dollar deposits bank?

MR. METZGER: Two.

Q. Two million? Is that one that it would be able to [1109] compete better with?

A. It would be able to offer a better variety and quality of banking services to the consumers in the Greeley area. In that sense, it would compete more effectively with all the banks in the Greeley area. I should add that the three existing banks already seem——

THE COURT: What's the name of this poor little bank?

MR. SCHOEPKE: The State Bank of Greeley.

THE COURT: Two million? Do they compete now? Have they competitors now, you say?

THE WITNESS: They are competitors, Your Honor, but I would add not very effective competitors. They are viable. But, they have not shown very good growth. It's a convert from a former industrial bank.

THE COURT: The state bank—is this a downtown bank?

THE WITNESS: Yes, it is, Your Honor.

THE COURT: So that is the fourth downtown bank, really?

THE WITNESS: Yes.

THE COURT: We haven't heard much about them.

THE WITNESS: I would argue that they are not really able—that the advantages of the First National Bancorporation over the First National Bank of Greeley in competing with the small bank is zero. Because, the First National Bank of Greeley [1110] is quite successful now I think in competing there.

Q. (By Mr. Schoepke) In other words, the First National Bank suffers from no competitive disadvantages vis-a-vis the State Bank of Greeley, does it?

A. I would think that it does not.

Q. Does it suffer—does the First National Bank of Greeley suffer any competitive disadvantages as against the United Bank of Greeley, the former Weld County Bank?

A. Yes, I think it does. As I have testified, United Bancorporation has not to this point made an effective use of the Denver statewide resources in terms of being able to provide better service in Greeley because it has been

their philosophy to operate their banks in the holding company quite independently.

But, still, when it comes to depth of management, when it comes to specialized knowledge and service and know-how, I am certain that the holding company can do just a little better job and this little better job is what, at the margin, makes a new customer coming into an area go one place rather than the other. It's the margin—that is what competition is really all about.

So that if we are going to try to protect competition and enhance competition rather than looking strictly at protecting competitors, then what we want to do is say, given that these institutions are viable, as I think we would agree that [1111] they are, how can a new organization going in here better help the customer because it is the customer that competition is designed to protect.

Q. Well, do you think by having the First National Bancorporation move in through the acquisition of the First National Bank of Greeley—do you think they would be better able to compete with Affiliated Bankshares in Greeley?

A. Yes.

Q. In what way?

A. I think they would do a better job, a more competent and more in depth job of providing the source of services that the people in Greeley need. I think the fact that Greeley National and its affiliates have gained market share over the past 20 years has implied that they have done a better job than the First National of Greeley.

Q. Well, do you think that a merger or a holding company acquisition is justified because there are bigger competitors in the market?

A. Not sufficient at all to justify it.

* * * * *

[1121] IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. C-2413

UNITED STATES OF AMERICA,
PLAINTIFF,

VS.

FIRST NATIONAL BANCORPORATION AND
FIRST NATIONAL BANK OF GREELEY,
DEFENDANTS.

Proceedings before the HONORABLE WILLIAM E. DOYLE, Judge, Presiding, United States District Court for the District of Colorado, Courtroom D, U. S. Courthouse, Denver, Colorado, commencing at or about the hour of 9:00 o'clock a.m., Wednesday, May 12, 1971.

APPEARANCES:

(As heretofore noted.)

[1122]

CROSS-EXAMINATION (CONTINUED)

By MR. SCHOEPKE:

Q. Dr. Baxter, I believe you stated yesterday that it was United's policy or has been United's policy not to change things very much up in Greeley? Was that your testimony?

A. It had been their policy to allow the former Weld County Bank, the United Bank of Greeley, to operate relatively independent and not to impose very much in Denver to this point in time.

Q. And what is the basis of your knowledge that there was—that that was their policy?

A. I had an interview with Mr. Knight, their chief executive, and discussed this issue with him. I had heard that this was the case and wanted to determine whether in fact this was their policy, and this is what he told me.

Q. And I believe you said that it was the policy of the First National Bank to compete very vigorously.

A. I said it would be their policy.

Q. Would be their policy if they got into Greeley to compete vigorously, is that correct?

A. Yes.

[1123] Q. Now, what is the basis of your knowledge of that?

A. Well, I have had many conversations with the officials of the First National Bancorporation—Mr. Alexander stated it to me as well as testimony in this record.

Q. Now, Dr. Baxter, you're an economist. Are you a member of the American Economic Association?

A. Yes.

Q. That organization has various classifications of economists, does it not?

A. In terms of the handbook they ask us to list our fields of specialty, yes.

Q. And how are you listed in that handbook? What field of specialty are you listed in that handbook?

A. I'm not exactly certain. I am certain that banking and monetary economics would be the first field. I am not sure whether I have listed—which I have listed, but there are various ones that overlap. You list three.

Q. Are you listed as an expert in industrial organization in the handbook?

A. I may have listed that as my third field, I'm not certain.

Q. Now, in connection with mergers and acquisitions, Dr. Baxter, do you feel that where you have one or two large organizations such as United and ABC in Greeley that it is competitively advantageous to allow a competitor in that [1124] market to merge with or become part of, through corporate acquisition, another large organization in order to catch up so to speak with the large firms in the market?

A. I'm not sure I understand that question. Could I ask that it be read back?

Mr. Metzger: Your Honor, may I suggest that in order to clarify it for the witness that we are talking about the catch-up argument from Bethelehem Steel case.

The Court: Thank you, Mr. Metzger.

Mr. Schoepke: Would you read the question back, Mr. Reporter.

(Question read by the reporter.)

Q. And I add to that, and compete better.

A. No, sir. I wouldn't say that that would be the reason that I would favor this particular merger or this particular acquisition. I would say that to take advantage of the economies of operation and to be an effective competitor in this market the larger resources that we have been talking about will enable them to do a better job, but I wouldn't say it would be because they have to catch up.

[1125] Q. Well, now, Mr. Metzger mentioned the Bethlehem Steel case, which was decided by Judge Weinfield, whom Mr. Metzger expresses great admiration for from time to time in his briefs. I would just like to again, not to discuss the law with you, but I would like to read part of that case and just ask you whether you agree or disagree with the observation. This is on Page 618. The citation is 168 Fed Supp 576.

> "The merger offers an incipient threat of setting into motion a chain reaction of further mergers by the other but less powerful companies in the steel industry. If there is logic to the defendants' contention that their joinder is justified to enable them, in their own language to offer 'challenging competition to United States Steel, which exercises dominant influence over the competitive conditions in the steel industry,' then the remaining large producers in the Big Twelve could with equal logic urge that they too be permitted to join forces and to concentrate their economic resources in order to give more effective competition to the enhanced Big Two, and so we reach a point of more intense concentration in an industry already highly concentrated, indeed, well in the direction of triopoly."

Do you agree or disagree with that statement, or do you have any comments you wish to make with regard to it.

A. Well, with regard to the steel industry, there is a [1126] good deal of justification for talking about very few producers nationwide.

There is very good justification for talking about concepts of economic concentration, and when one talks about a—if you are talking about a dozen producers or so and you are allowing two of the largest to get together, on equity grounds what you are saying is that some of the others should get together because the argument that certain producers by getting together will be able to deal

more effectively against the largest would imply that No. 7 and No. 8 and No. 4 would be allowed to get together so they too could do a better job, and that would probably lead to a much more concentrated situation in steel with much less effective competition than that industry has.

I think to imply that in banking you are talking about anything similar would be unfortunate, because we are talking here about an industry with many, many sellers. We are talking about relatively small markets, instead of national markets. We are talking about relatively low capital requirements and technology requirements as compared to the enormous requirements for entering the steel industry, so without pretending to be—not to say that these concepts are right or wrong, these concepts must be applied and considered in the context of what you are talking about, and I do not think that the standards that would apply to steel mean very much [1127] when applied to banking at all.

Q. All right——

THE COURT: Where were you reading from?

MR. SCHOEPKE: That's the Bethlehem Steel case.

THE COURT: These reporters have to transcribe this record and sometimes they need to go to the source.

MR. METZGER: 168 F Supp, Your Honor.

THE COURT: What page?

MR. SCHOEPKE: Page 618, I believe I mentioned. I will give it to them.

THE COURT: Of course, I don't see the value of taking these things, this language, out of context, and I mean it doesn't impress me, anyway. The law is what the law is. The fact that some judge has—and I certainly respect Weinfield very much—has given an expression in a particular context is not gospel, you know, and this is what I was criticizing last night.

You gentlemen are very sophisticated about this whole body of law, but you are so spooky you have got a bunch of dialectics here you have got to apply, and I am just not going to decide it this way, anyway, on that kind of a basis. I would say that the general thrust of the evidence here shows that First Bancorporation, for better or for worse, would probably not have formed or would not have taken on this merger if their branch banking effort had succeeded. This is

about the [1128] only way open to them in order to maintain their position probably. I mean, I think it is something we have to face and I don't think we ought to sidestep or dance around it. It is one of the things we ought to hit head on, I would say. If this is the case, why, that's it. But it would seem to me to be kind of an artificial basis for saying because in Bethlehem Steel this particular piece of language was used—not necessarily a decision, it is just an expression—that this must be or would follow axiomatically that any kind of a defensive acquisition is necessarily adverse to competition.

[1129] MR. SCHOEPKE: Well, Your Honor——

THE COURT: If you want to maintain it, that's your business, but you may have to maintain it in some higher court, unless it is reasonable and rational. That's what I am interested in.

MR. SCHOEPKE: If Your Honor please, the relevance of this is to simply determine whether the economic precepts which a particular witness on the stand applies in giving us the advantage of his expertise are the same which those of the courts in antitrust cases have applied, and it is simply for this reason that I am asking this witness whether or not he agrees with those particular standards. I think that's extremely important because I have gotten the feeling from some of the colloquy during the course of the case that there may be some feeling that this idea of countervailing power, this catch-up theory, has some validity, and I think I would be remiss if I didn't bring out some way, to the best of my——

THE COURT: I don't know whether it has or not.

MR. SCHEOPKE: This simply is not an acceptable argument under the antitrust laws, as the courts have developed them under Section 7. Once you accept the argument that the catch-up theory, the leap-frog theory——

THE COURT: Why didn't you start ten years ago then? I mean, I just don't—well, we will just see whether [1130] it has any value or not. Because another judge said it in the Bethlehem Steel case, as I say, isn't gospel to me. Judges say lots of things in the courts of opinions, you know.

MR. SCHOEPKE: Well, you mentioned that, but in antitrust cases, it is awfully hard to distinguish holdings from dicta.

THE COURT: Everything is gospel.

MR. SCHOEPKE: No, I think it all falls into place in a series of cases. Well, Your Honor, I believe the witness has indicated that he felt that Bethlehem Steel was concerned with steel and he thought that perhaps it might not apply to the full extent to banking.

May I just read him an excerpt from the Philadelphia case and ask him the same question, does he or does he not agree with it?

THE COURT: Okay.

Q. Dr. Baxter, this is from the Philadelphia case, 374 U.S. 321, which as you know, was the first bank merger case. On Page 370, the court says, "Second, it is suggested that the increased lending limit of the resulting bank will enable it to compete with the large out-of-state banks, particularly the New York banks, with very large loans. We reject this application of the concept of countervailing power," citing *Keefer-Stewart Company v. Seagram and Sons,* [1131] 340 U.S. 211. "If anti-competitive effects in one market could be justified by pro-competitive consequences in another, the logical upshot would be that every firm in an industry could, without violating Section 7, embark on a series of mergers that would make it in the end as large as the industry leader."

Do you agree or not agree with that language?

MR. METZGER: May I object to this line of inquiry, Your Honor, for this reason. It, as well as the previous question, is addressed to matters not raised by this witness or to the best of my recollection anywhere in this case by the defendants. The first argument was——

THE COURT: Never mind.

MR. METZGER: —catch-up——

THE COURT: I think that the language itself distinguishes it from our fact situation, because it speaks of competition in that market or countervailing influence in the market, doesn't it? As you read it, that's the way I heard it. Does it not?

MR. SCHOEPKE: The Court rejects the idea of countervailing power, and I would like to ask the witness whether or not he agrees.

[1132] THE COURT: In a different context, yes.

MR. SCHOEPKE: May he answer, Your Honor?

THE COURT: Yes. He can add to my answer.

THE WITNESS: Well, I think in Philadelphia and National, what they were saying there, what Mr. Justice Brennan was saying there was you can't weigh any procompetitive effect in New York or on a national market for big loans against what was judged by the court to be an anticompetitive effect in the commercial banking business in Philadelphia or the four-county market area that was found in that case.

What we're talking about here, a procompetitive effect in the Weld County market, against any alleged reduction in potential competition which as I have indicated I don't think exists. But, we're talking about the same market and balancing forces in that market. I don't think that Philadelphia, where we're talking about two banks which were across the street, which added up to over a billion dollars in resources and with an obvious direct competition with each other is necessarily applicable to what we are talking about here in Greeley.

Q. Now, you just used the term where we are talking about balancing forces in Greeley. What did you mean by that?

A. Well, I was saying here—we believe—I believe that there are very strong procompetitive effects to this acquisition, that the First National Bancorporation in the Greeley market will be a more effective competitor for the [1133] business that is done there and what I was saying——

The Department of Justice has alleged an anticompetitive effect through the potential competition area. I think it would be appropriate for the Court to weigh the procompetitive effects that the Court finds with anticompetitive effects that the Court might find and see whether or not the procompetitive effects do indeed outweigh the anticompetitive effects if any. But, this is one particular market that would be established and one could always look at different effects in a given market. This is not balancing one firm against the other. I didn't mean to imply that it was.

Q. Do you think this merger or this acquisition of the First National Bank of Greeley is absolutely necessary for First National to accomplish these procompetitive effects as you described them?

A. Yes, I think that the only meaningful way that they

can participate in the Weld County market in the commercial and wholesale banking end of the business and in the agricultural lending, in the areas that they are most effective and efficient and have the most to offer and contribute, is through this acquisition.

Q. You don't think they could accomplish it by independent entry?

A. No, I do not, not in any reasonably foreseeable time.

[1134] Q. Well, then, from that and from your previous testimony I take it that your test for potential competition would be probability of entry, is that correct?

A. Well, I think it is—one has to look at whether it is a reasonable thing as a business judgment for the banks to do and one also has to look at whether they could be allowed to do this in a regulatory environment and looking at both of these things independently it doesn't seem to me that they could have a procompetitive impact in the commerical end of the business that they are most interested in developing absent this acquisition. In that sense probability is important, of course.

Q. Have you ever written any articles on the question of the significance of probability of entry as regards potential competition?

A. I may have mentioned this issue in some of my writings. I honestly can't tell you.

Q. And on this problem of countervailing power that we have discussed, have you ever written any articles on that?

A. Again, that is an issue that I may have mentioned in some of my writings but I am not aware of any direct discussion on it.

Q. Have you ever written any articles on the question of the Wings theory as we have been discussing it in this case standing on the edge of the market?

[1135] A. Not that I recall.

Q. Do you think that the First National Bancorporation exercises any influence simply by being close to the Greeley market?

A. No, I do not.

Q. I'd like to call your attention to Defendants' Exhibit No. 40 and 41, if I may. Do you have them handy?

A. Yes, I do, Mr. Schoepke.

Q. These are tables of population per banking office.

A. Yes.

Q. And I would just like to ask you—is that really a very reliable figure to use in analysis? Wouldn't a lot depend on the economic condition of the population? In other words, wouldn't the population per banking office in the town of Erie that we have heard about be a lot different? Wouldn't its significance be a lot different than the population banking office, let's say in Cherry Hills, which is a rather prosperous section of the City of Denver?

A. Yes, I think that there would be some difference but basically of course across the board I think this is a pretty good measure of the number of alternatives that are available and of the convenience of banking to the consuming public, the consumers of banking services. So I think this is a very meaningful measure. I don't believe I implied that it always tells 100 percent of the story. Yet, it is something [1136] that the regulatory authorities look at very carefully and it is something that I as an economist would judge to be quite important.

Q. You wouldn't rely on this alone though, would you?

A. No.

Q. Now, when you got onto the subject of correspondent banking, you testified, I believe, that you felt correspondent banking system was necessary, if my notes are correct. You indicated that correspondent banking system was necessitated by the inability of the larger banks to get into the outlying community and the needs of the banks in the outlying communities for the services of the larger institutions. Is that correct?

A. Yes, and I would add the banks and their customers for the services of the larger institutions. Because, correspondent banking is after all a method whereby the larger banks give services, not primarily to other banks but in terms of the customers of these other banks.

Q. Now, I'd like to read you this statement, Doctor, and ask you if you agree or not.

THE COURT: Where it is from?

MR. SCHOEPKE: This is from William B. Camp, Comptroller of the Currency, in an article on correspondent banking, supplement to the American Bankers——

THE COURT: Do you accept this as an authority?

[1137] THE WITNESS: Well, Mr. Camp has made many public statements which I agree with and some I am sure

which I don't. And, he is the Comptroller of the Currency and the administrator of National Banks.

THE COURT: Very well. You may proceed.

Q. "Correspondent banking is a function almost as old as commercial banking itself and through the years has become the capstone of the commercial banking system."

Do you agree with that?

A. No, I don't.

Q. In what way?

A. I'm not sure what capstone means. I agree with the first half of the statement.

Q. Well, perhaps you will agree with this. This is further on in Mr. Camp's article.

> "In my opinion, the correspondent system has to a significant degree filled the gap between the large banks and the small and medium-sized banks. It has provided the critical financial muscle of much of our economic progress and I am confident that the system will respond to the challenges of the future as it has with those of the past."

Do you agree with Mr. Camp's observations?

A. Well, I agree in part with that statement. I am not sure that I would state it quite that way.

[1138] Q. How would you state it?

A. Well, I agree that correspondent banking, if one wants to use that term, I agree that relationships of banks with others; that overlines, that check clearing services provided by some banks, that financial advisory services provided separately by some banks for others, that all of these things serve a useful economic function. They are products like any other product. They are sold and some banks sell them and other banks buy them, and they must be worth their price because they have existed.

In a banking system whereby the larger financial institutions cannot be directly in smaller communities and yet you need large credits around smaller communities and you need certain investment advisory services and the like, big city banks are able to provide this. And in that sense correspondent banking has been useful and has been important.

In states such as California where there is branch banking throughout the state, the need for many services that

are provided elsewhere by correspondents is not present and another system or some functions for some banks, is able to replace a correspondent banking system, and I think a—a problem on balance, they do a better job, but that is not necessarily directly responsive to your question.

Q. Now, I believe that you said that as a competitive device the correspondent banking system insofar as it dealt [1139] with the relationship between the banks involved directly as the correspondents was basically noncompetitive. Was that your testimony?

A. Yes, there are anticompetitive aspects of a correspondent banking system.

[1140] Q. Well, now, does that apply to the banks who offer correspondent services?

A. I'm not sure I understand your question.

Q. Well, let me be more precise. Do you think that the six banks in Denver that offer correspondent services are in competition for correspondent banking business?

A. Well, they're in competition for the specific services that they sell. As I indicated in my testimony, I don't use the term correspondent banking business to imply something that is homogeneous. I think they are in competition with each other and with many banks outside of Denver and outside of Colorado to provide overlines, to do check clearing services, to do government bond type transactions, and the like, and I think that they do compete hard against each other and against many banks outside of Denver to sell these services because they are able to provide something that people want to purchase. I was not implying that.

Q. Well, when you were discussing correspondent banking you rejected this package concept, did you not?

A. Yes.

Q. And you indicated that in your view correspondent banking was just a series of different things that could be obtained from different sources and really didn't constitute a line of commerce in your judgment?

A. That's correct.

[1141] Q. Didn't you apply basically the same analysis that you applied in your conclusion that commercial banking as such was not a line of commerce?

A. No, I think it's a different sort of analysis. I think that my analysis of commercial banking as a line of commerce, I took specific services, some of which are offered only by

commercial banks, namely, the demand deposit function, and I said for the demand deposit function, that it is a line of commerce. Commercial banking is a line of commerce and if we can find anticompetitive effects in demand deposit functions then one would use the line of commerce as commercial banking. I said when one looks at all things that commercial banking—if one is trying to make a reasonable appraisal of what constitutes anticompetitive effect of merger or acquisition, it is not fair to say for the real estate lending function that commercial banking is a line of commerce.

And if one finds an anticompetitive effect for the real estate lending function by using a commercial banking line of commerce, I think one is engaging in extremely poor analysis since other organizations compete with commercial banks for the issuance and offering of real estate loans.

What I am saying here in correspondent banking is that you have a whole group of services which are sold to customers of banks offering these services and in some services they are not sold exclusively to correspondent banks. They are [1142] sold lending services.

So we're talking about lending.

Q. Well, aren't you rejecting the cluster idea of correspondent banking as a line of commerce?

A. In saying that there is nothing unique except for the federal funds transactions which we talked about, but there is nothing unique about what is offered to correspondent banks.

Q. Not even a cluster?

A. No, I don't think——

Q. You don't think the cluster services offered by correspondent banks is a uniqueness?

A. I don't agree that there is a cluster of services offered.

Mr. Metzger: Your Honor, I think we are engaging in semantics at the moment and not analysis. Anything is a cluster. If I pick up a group of things from this table here, I've got a cluster. That doesn't mean that there is anything unique except nobody else has the same cluster, and I don't think that aids the development of what this witness has to contribute to this case.

The Court: Overruled.

Q. Dr. Baxter, I'd like to read you one excerpt—First

off, are you familiar with the American Bankers Association?

A. Yes.

[1143] Q. And you recognize them as an authoritative source on subjects concerning banking, whether or not you agree with them?

A. Well, I don't know what you mean by the association as a source of information.

THE COURT: Their publications.

Q. Their publications.

A. The American Bankers is a daily banking newspaper. I subscribe to it. Thay have a monthly publication.

Q. If I may, let me just read a section from the report by the American Bankers Association on commercial banking industry.

THE COURT: Dated what?

MR. SCHOEPKE: By the Commission on Money and Credit, published by Prentice-Hall, dated 1962, and this is from Page 273 of that publication:

> "The size and number of correspondent bank balances depend on the services which the country bank desires from its correspondents. City correspondents require of the country bank only sufficient balances to earn enough to cover the cost of services rendered by them plus a reasonable profit on the account. A city correspondent is not going to turn away excess deposits left with it, and country banks sometimes let these accounts rise to levels which are not necessary for [1144] the services demanded, especially when loan demands are slack and deposits are holding up well. Such excess balances can be used to provide liquidity to meet subsequent losses of funds. Normally, however, balances are held at levels commensurate with services rendered and offer only a very limited source of liquidity."

I would like to ask you if you agree or disagree with that statement?

THE COURT: Did the reporter get all that?

THE REPORTER: Yes, Your Honor.

THE COURT: Very good.

MR. METZGER: May I ask what part of the statement

we're talking about? There are about five concepts there.

THE COURT: Well, I suppose he is confronting him with the entire statement. He has not added the author, though. That's one objection I would have. In other words, if you're going to qualify this as an authority, I think the least you could do is tell him who authored it. I mean, so he can say——

MR. SCHOEPKE: The American Bankers Association, the commercial banking industry, commission on money and credit, that's the only author.

MR. METZGER: Your Honor, I was aware the committee had produced some terrible things but now they are accused of [1145] writing.

THE COURT: Is this a report of some kind?

MR. SCHOEPKE: Yes, it is an official report by the American Bankers Association, Your Honor.

THE COURT: Do you understand what he is asking you?

MR. SCHOEPKE: I'll be glad to give him this statement.

THE WITNESS: I'm familiar with the particular volume and I would like to have it in front of me as I comment on it.

THE COURT: I think it would be helpful if you could see what it looks like. Sometimes this gives it a little more——

Q. I might just say that specifically in context the last sentence is the one that I am inquiring about. "Normally, however, balances are held at levels commensurate with services rendered and offer only a very limited source of liquidity."

Would you care to examine and comment on that statement in the context with everything else I read to you?

[1146] A. Yes, I think I can comment on the entire statement, which I think is generally a valid one. What it implies to me is that most banks which are buying one or more services from a correspondent keep a balance with that correspondent, as we have indicated throughout the testimony in this case, to pay for—as one way of paying for services. Sometimes they are direct charge items and are paid for in cash. Sometimes they are paid for in balances. All this is saying, really, is that some country correspondents tend to keep more in their correspondent accounts than occasionally they really have to. They use it just as any of us may keep in our checking account more than we really have to because we are not managing the funds with a sharp pencil,

but on balance most of them do manage their funds properly, get account analyses for the precise services that they are purchasing or service, and therefore keep their balances commensurate with what they are purchasing, to pay for what they are purchasing. I would add that many correspondent accounts are almost completely dormant, as one of the sentences in there implies, and no service is actually being purchased at that time, whereas some accounts are very active.

Q. Well, may I ask you, the last sentence, which is the one that I directed your immediate attention to, says "Normally, however, balances are held at levels commensurate with services rendered." Do your agree or disagree with that [1147] statement?

A. I don't think you can generalize as much as that to say that normally this is the case. I think that these accounts are analyzed for profitability. If they are not profitable in terms of what service or services a bank is buying, then each service is analyzed as given, and all this is really saying is that many balances are not higher than they have to be and are not overly profitable for the banks that are offering them.

Q. Then you disagree with the word "normally," is that it?

A. I think "normally" is a difficult word to use in this context.

Q. Now, in your testimony Mr. Metzger asked you about correspondent balances of the First National Bank of Denver and indicated—or you indicated that 30 percent of the correspondent balances were balances from banks outside of Colorado. Now, as a matter of pure arithmetic, that would mean that 70 percent of the First National Bank of Denver's correspondent balances are held from banks within Colorado?

Mr. Metzger: Just for the record, Your Honor, the statement was 35 or 40 percent.

Mr. Schoepke: May I have a moment? I think there is some problem on this, Your Honor.

[1148] The Court: Okay.

Mr. Schoepke: Could I have Exhibit 202, Mr. Kerr, please?

Q. I show you, Dr. Baxter, Plaintiff's Exhibit Number 202, a tabulation of correspondent deposits held by First

National Bank of Denver as of December 31, 1969, which indicates that as of that date that 69.1 percent of the correspondent balances held were from banks within Colorado. Would that not indicate to you that Colorado was at least a submarket for correspondent services?

A. No, it would not necessarily.

Q. How much would they have to get from banks within Colorado in your judgment in order to constitute an appropriate geographic submarket within which to measure the competitive consequences of vertical integration involved in this case?

A. I don't think one can state a percentage, because I agree with the testimony and believe that I said so myself yesterday, that the balance itself is not necessarily a very good measure of what's being offered and what is being sold. Some of these balances are dormant and a lot of services may be provided. Other of the balances may be extremely active and after cash items and process of collection are considered, there may be hardly anything left, so I don't think—I think that any percentage, if I were to say 80 or 90 percent of that particular balance figure, I would not [1149] really be expressing a very meaningful relationship in terms of what may be done.

Q. Dr. Baxter, I would like to show you the correspondent banking issue of the "American Banker," which you have just testified you are familiar with and recognize as an authoritative publication in the banking business.

MR. METZGER: May we correct the record to say that there is a Correspondent Banking Annual Supplement in one of the issues of this daily magazine or daily newspaper?

MR. SCHOEPKE: Well, I am about to complete the identification.

THE COURT: Well, does he embrace the whole newspaper to be authoritative, every day, everything in it?

MR. SCHOEPKE: Well, I wasn't going to go into that, Your Honor. I just wanted to show him a listing from it and question him on it.

Q. Do you recognize the——

THE COURT: Well, I think you can't—it's my understanding of the law of witnesses that you can't impeach a witness by confronting him with the publication unless he accepts the material as authoritative. In other words, just because someone has said it doesn't make it so. If he agrees

that it is right, then there is some basis for comparison, isn't that correct?

MR. SCHOEPKE: Yes, Your Honor, and I was laying a [1150] foundation for that.

THE COURT: See if he will embrace it, first.

MR. SCHOEPKE: All right.

Q. I call your attention, Dr. Baxter, to the correspondent banking section of the "American Banker," which is dated December 18, 1970, and on it it has a list of the largest bankers' banks, ranked by size of correspondent balances. Do you know why banks are listed by order of size of correspondent balances?

A. It is a way to list banks to classify them.

MR. METZGER: May I ask if there is any other way, that you know of?

THE COURT: You can get back to it. It is not proper.

MR. METZGER: Yes, sir.

Q. Well, do you agree that's a proper way to list them, to list correspondent banks in the order of size?

A. A way to list correspondent banks.

Q. Would you give any other way of listing them?

A. One could list them by the amount of overlines, of participation loans that they grant. One could list them by the number of checks that they clear. One could list them by the net income of the departments, if one—of course, that would be information that would be not public and not easily obtained, but I could name several.

[1151] Q. Well, now, this particular listing is in terms of the size of the correspondent balances held by the banks starting from the biggest down as far as they go to the smallest.

A. Yes.

THE COURT: The sum of all of the accounts?

MR. SCHOEPKE: Of the largest and then the second largest and so forth, the size of their correspondent balance accounts.

* * * * *

[1152] Q. Do you think that's a reasonable way of classifying banks in the correspondent business?

A. No more and no less reasonable than some of the other ways. It depends on what type of analysis one is

going to conduct of this. I have indicated why the deposit balances could be misleading, and because they could be misleading I don't think, if this were employed for purposes of saying who is the largest or who does the most correspondent business that this is necessarily a meaningful way to do it. You could list them alphabetically, just as well.

Q. So you still do not agree that the size of correspondent balances is a good proxy of the amount of correspondent business conducted by banks who are in the correspondent banking business?

[1153] A. It is not necessarily a good proxy, no.

MR. SCHOEPKE: That's all I have in mind. Thank you.

May I have a moment, Your Honor?

THE COURT: Surely.

MR. SCHOEPKE: Your Honor, we have no further questions of this witness.

THE COURT: All right.

REDIRECT EXAMINATION

By MR. METZGER:

Q. Now, Dr. Baxter, let us get to what your opinion is on this last subject rather than around the barn. Do you believe that average balances as distinguished from net balances is an adequate measure of activity in a correspondent bank balance?

A. No, I do not.

Q. Do you believe that it is an adequate measure of profitability of that bank balance?

A. No, I do not.

Q. Is the bank balance in question in this case relevant to that conclusion on your part, the First National of Greeley's balances?

A. The analysis of the large proportion of that balance which is in uncollected items revealed that looking at the size of the balances initially might vastly overstate the profitability of the account.

[1154] Q. Doctor, yesterday on cross-examination you were read a quotation out of context from the Philadelphia National Bank case.

MR. SCHOEPKES I object to out of context. I gave the whole thing to him.

THE COURT: Sustained.

MR. METZGER: I should like to read another statement out of context.

MR. SCHOEPKE: Object.

THE COURT: Sustained.

Q. (Continued) From another opinion of a regulatory agency, the 1960 Historical Analysis of Banking said on this subject: "With the experience of thousands of bank failures between 1920 and 1934 attributed in many instances to weak or uncapitalized banks in population centers unable to support them, bank chartering authorities were alert to prevent a repetition of the overbank situation of the early 1920s. While it may to some persons now seem a desirable situation to have, as in 1921, more than 30,000 banks with open doors for borrowers and depositors throughout the United States, bank supervisors and chartering authorities of the 1930s and 1940s knew that many of those banks closed their doors with great losses and hardship to their depositors and would determine that this should not happen again."

Is this a valid representation of the legitimate [1155] interest of the regulatory agencies in chartering of banks?

A. Indeed, it is.

Q. You were read a statement yesterday with regard to triggering as an anti-competitive eventuality of given particular mergers. Relating to the acquisitions of this particular bank, the Federal Reserve Board in its opinion of April 1, 1971, stated: "Insofar as any triggering effect which approval of the application may have, each subsequent application also must receive the approval of the Board. Presumably one of the reasons for the requirement of administrative approval of individual cases rather than the establishment of firm legislative guidelines is to permit the recognition of distinctions which may exist among cases which would otherwise be grouped in proscribed or permitted categories. Each application should be analyzed on the basis of the competitive structure of the market and other facts existing at the time of the Board consideration of the matter."

Do you agree that this is a fair response to the triggering arguments that you were subjected to yesterday?

A. I agree with that completely.

Q. Do you agree that the board has, with relation to the

First National Bancorporation of Colorado, fairly exercised those responsibilities in granting some and denying other of our applications?

[1156] A. Yes.

Q. Do you agree that this is something we ought to consider in determining whether or not there would be a triggering effect?

A. Yes.

Q. Do you believe that the Justice Department's ability to stop any merger in banking and unique to this industry alone is relevant to the question of whether there is any triggering effect?

A. Yes, I do, and I have so testified yesterday.

Q. It was suggested to you yesterday that there might be some untoward effects because the resources of the Bancorporation might be used in Greeley to unfairly pry loose a segment of that market.

Comparing resources of the First National Bancorporation with those of Western Bancorporation, do you believe that we are better able than they to accomplish this end?

A. Certainly not.

Q. Do you believe that there has been any evidence in this state of utilization of resources improperly?

A. No evidence whatsoever.

Q. The suggestion was made in cross-examination yesterday that there is no effective competition with State Bank now by the First National of Greeley.

[1157] What kind of a bank was the State Bank before it converted?

A. It was an industrial bank which converted to commercial bank status in approximately 1965.

Q. And what does an industrial bank do?

A. Essentially make small consumer loans and accepts small consumer deposits.

Q. Has that character of that bank substantially changed in the intervening years?

A. No, it has not.

[1158] Q. So that insofar as it represents the consumer lending and consumer depository on saving of funds, it does compete in that market, does it not?

A. Yes, very much so, as I believe I also testified. It is able to compete for the service for the range of services it offers.

Q. And is this consumer lending an area in which the First National Bank of Greeley has heretofore been somewhat weak?

A. Its proportion of loans to individuals and consumer loans is very low, relative to the other banks in the area, and they have been weak in it, yes.

Q. You addressed yourself yesterday to the question of industrial organization and its applicability as to banking. I don't believe that I was entirely clear as to your conclusion as to the general applicability of the industrial organization art to commercial banking.

A. The same standards which are employed to analyze mergers and acquisitions in other industries such as steel, which we mentioned this morning, cannot possibly be applied directly to banking. What I suggested yesterday—some of the concepts as a basic starting point are relevant, but when we look at the specific markets that are served, banking markets being essentially local in nature, we must look at the number of competitors which is reasonable and consistent [1159] with the economies of scale available in the industry. We must look at the type of services offered in these reasonable market areas.

And, utilizing all these factors including the competition from other than banks for certain types of services offered, arrive at a judgment of what is reasonable and what is not reasonable in commercial banking. You certainly cannot take any general industrial standards, any general industrial trends and apply them to banking.

Q. Then applying that factor specifically to this case and to this market, is Greeley a highly concentrated banking market in terms of banking?

A. Absolutely not.

Q. Let me ask you a stupid question, Doctor, and I apologize for it before I ask it.

How many steel companies are there in Greeley; basic raw steel manufacturers?

THE COURT: If you know.

A. I don't believe there are any. I didn't come across any in my travels.

MR. METZGER: I apologized for that question in advance.

Q. Correspondent banking you suggested yesterday—that there are elements of convenience for Denver banks

or the Federal Reserve Bank in Denver for I believe you addressed [1160] yourself to that question on check clearing, is that correct?

A. Yes.

Q. Can Colorado banks clear checks elsewhere in Colorado?

A. Yes, indeed they can.

Q. With the same degree of convenience?

A. With the same degree of convenience depending on their location and the location of the checks that are being cleared.

Q. So a bank ten miles outside of Denver would be more likely to go to Denver and a bank ten miles outside of Pueblo or Colorado Springs or Fort Collins or Grand Junction or—would be more inclined to go there? Is that what you're saying?

A. Yes.

Q. Do you believe that there is a distinction between horizontal mergers on the question of the catch-up argument and mergers where there is no competition between the affiliating organizations?

A. I think there is a major distinction between a case where you have direct competition and a case where you have potential competition.

Q. On the questions of the Wings impact—I think we have covered this but I would like to bring it up just once more. Do you believe from the evidence in this case and from your own inquiries that the First National Bank of Denver [1161] has been on the Wings of the banks in Greeley?

A. No, I do not.

Q. Do you believe that it is on the edge of the market any more than any other group of entrepreneurs in the state might be on the edge of the market?

A. Not any more than that.

Q. When you addressed yourself to the article by Mr. Camp on correspondent banking, did you note who Mr. Camp's audience was at that time?

A. No, I didn't, but I assumed it was a convention, a bankers convention.

MR. METZGER: What kind of a convention, Mr. Schoepke?

Q. (By Mr. Metzger) I believe that Mr. Camp was addressing the correspondent banking representatives of—

at their special annual meeting. Do you think that is a relevant consideration as to the import to give his statement?

A. Yes, I do.

MR. METZGER: No further questions. Thank you.

RECROSS-EXAMINATION

By MR. SCHOEPKE:

Q. You were discussing a moment ago the wings theory and you expressed the view that you did not feel that the First National Bancorporation was any more significant in the wings than any other banking organization in the state. Was [1162] that about it?

A. No, Mr. Metzger asked me about any other group of entrepreneurs who might be able to charter a new bank in Greeley, and I would include those together with other banking organizations in making that statement.

Q. I would like to show you Plaintiff's Exhibit No. 21, and ask you if on the basis of that exhibit do you consider banking in the City of Denver to be concentrated?

A. No, I do not.

Q. And on the basis of this particular exhibit among the banking organizations capable of entering Greeley, would you not consider the First of Denver, as the largest, as being the most capable?

A. No, not necessarily. This particular exhibit lists five banks and we know that at the present time as part of the Western Bancorporation, American cannot enter as long as it is a part of the Western Bancorporation and United is already in there. But, Colorado National, of these five, is just as likely. So, size would make no difference.

Q. Size would make no difference whatever even though Colorado National Bank is about—maybe a little bit more than half the size of the First National Bank of Denver? That would not influence your judgment on relative capabilities of possible entry or power on the wings?

A. Absolutely not.

[1163] Q. Now, just one more question. Isn't it a fact, Dr. Baxter, that antitrust cases do measure vertical foreclosures in terms of sales or profits—I'm sorry, rather than profits?

Perhaps I better withdraw that question and read it again.

Is it not a fact that antitrust cases that measure vertical foreclosure in terms of sales rather than profits?

A. I don't know that one can make this as an absolute generalization. Sometimes sales are used but I would hasten that I don't think that correspondent balances represent sales in this market, that they in any way imply what's being sold.

MR. SCHOEPKE: No further questions.

RE-REDIRECT EXAMINATION

By MR. METZGER:

Q. Doctor, assuming it took a quarter of a million dollars for one banker to open up a bank in Greeley, would it make any difference if the potential entrepreneurs who might enter there had 50 million or 20 million or 10 million or one million?

A. No, it wouldn't make any difference.

Q. And you were asked whether or not vertical foreclosure is measured by sales. Are average balances a measure of the quote sales of offerers of correspondent services?

A. I just suggested they are not.

Q. And to nail this particular point down finally, is [1164] vertical foreclosure if such there be of the First National Bank of Greeley, of such a size as to constitute a foreclosure in any meaningful sense of any competitor of the First National Bank of Denver?

A. It most certainly is not.

MR. METZGER: No further questions.

MR. SCHOEPKE: No further questions.

(Witness excused.)

MR. METZGER: May it please the Court, the defense rests.

THE COURT: Very well.

MR. SCHOEPKE: Your Honor, may we just see what the schedule of our rebuttal witnesses is? Some of them have transportation problems and we would like to put them on to accommodate them.

Perhaps if we could take a short recess——

THE COURT: Surely, you let us know when you are ready to proceed.

(Whereupon, the trial recessed at 10:33 a.m.)

[1165] (Following a recess, the Court reconvened at 10:55 o'clock a.m.)

MR. BRENAN: Plaintiff calls as its first rebuttal witness Mr. Dale Hinman.

DALE HINMAN,

called as a witness in rebuttal by the plaintiff, being first duly sworn, on his oath testified as follows:

THE COURT: You have already been sworn, Mr. Hinman. Just take the witness chair. You are the same Dale Hinman who testified the other day?

THE WITNESS: Yes, sir.

DIRECT EXAMINATION

By MR. BRENAN:

Q. What organization are you connected with, Mr. Hinman?

A. I am President of the Greeley National Bank.

* * * * *

[1168] THE COURT: Who are your correspondents, by the way?

THE WITNESS: You want the full list, sir? Our principal correspondents in the Denver area are the First National Bank of Denver, the United Bank of Denver and the Central Bank and Trust Company of Denver. We also have correspondents in New York, Chicago, Kansas City, Omaha——

THE COURT: Yes. Well, I wondered what the correspondent bank is in Denver. Is the First your main correspondent in Denver?

THE WITNESS: Yes, sir.

MR. BRENAN: No further questions.

THE COURT: Is yours the lead bank in this other holding company, the associated banks?

THE WITNESS: There are four lead banks in the other holding company referred to. There is no one single lead bank. In size, if you go that way, the First National Bank of Colorado Springs is the largest in size.

MR. METZGER: We are all together.

CROSS-EXAMINATION

[1169]

By MR. METZGER:

Q. Mr. Hinman, how many full-time trust officers do you have in your bank?

A. Five.

Q. Mr. Hinman, if this affiliation goes through, will the First National Bank of Denver continue to be your prime correspondent in Denver?

MR. BRENAN: Your Honor, that's completely outside of the scope.

MR. METZGER: We were asked who his prime correspondents were.

THE COURT: I asked that.

MR. METZGER: Well, it is there.

THE COURT: Okay.

Do you know? Do you know whether you will continue with the First?

A. I have no immediate intentions of changing at the present time. We have to see what may come up at that time. I can't see into the future.

Q. But as of now, you have no such intention?

A. No.

* * * * *

[1195] MR. SCHOEPKE: Government calls Mr. Harry Bloom.

HARRY BLOOM,

called as a witness in rebuttal by the Government, having been previously duly sworn, further testified as follows:

THE COURT: You have already been sworn?

THE WITNESS: Yes.

THE COURT: You are the same Harry Bloom who has previously testified, and I guess you are still chairman of the State Banking Commission, is that right?

THE WITNESS: Yes.

* * * * *

[1199]

DIRECT EXAMINATION

By MR. SCHOEPKE:

Q. Mr. Bloom, as Banking Commissioner, you are aware that there have been two denials of applications for new banks in Boulder, is that correct?

A. Yes.

Q. Now, which was the first denial?

A. I believe it was the Boulder Valley Bank was the first one and the Table Mesa was the second one, I believe.

Q. Do you recall what the service area was that these banks were intended to serve at the time application was made for their charters to you?

A. The Boulder Valley application was in the area of the Longmont diagonal. The Table Mesa Bank was over on the Table Mesa in Table Mesa Shopping Center, which is a different service area entirely.

Q. Now, since I am unfamiliar with Boulder——

THE COURT: Well, these are residential areas, are they not?

[1200] THE WITNESS: The Table Mesa area is primarily residential, yes. The other does have some commercial on the Longmont diagonal.

THE COURT: But it is also a new residential area as well, isn't it, the Longmont——

THE WITNESS: There are some developments there, yes, residential.

Q. Now, do the service areas of these banks as the applications were presented to you—did they encompass the entire City of Boulder or just these particular localized areas that you have described?

A. As I recall, they showed primary service areas that were more or less localized, but the secondary service area, the overall service area, would encompass all of Boulder.

Q. Now, were there any other banks in any of these areas at the time the applications were pending?

A. There were no banks in the Table Mesa area, although the Board had granted approval of an existing bank to move into that area. The nearest bank to the Boulder—the other application, the nearest bank was the Boulder National Bank to that location.

Q. Well, now, on the Table Mesa one, where a bank was —did you say about to move or had been granted permission to move?

A. The Board had authorized an existing bank to move [1201] into the Table Mesa area.

Q. Did that authorization have anything to do with the Board's decision with regard to whether or not to allow a new bank to establish themselves in that area?

A. Would you repeat that question again?

THE COURT: Was that the influential item that caused you to deny this?

THE WITNESS: Well, the denial of the Table Mesa application—this was one of the factors, that we had authorized the bank to move into the area.

Q. And you felt that two banks might be too many in that particular area, isn't that correct?

A. Yes.

Q. Now, has the Bank Board ever indicated since that time that it would reject any and all applications that might be made for new banks in the City of Boulder?

A. No.

Q. And if an application for a new bank in Boulder were presented to you, would you just return it and say, "We don't think there is room for a new bank in Boulder"?

A. No, sir.

Q. You wouldn't be permitted to do that by law, would you?

A. No, we would have to process it.

Q. Are there any applications pending at the present [1202] moment for a new bank in Boulder?

A. Yes, sir, one.

Q. And you are currently processing it?

A. It is in—being processed by our office, yes.

Q. Now, turning to Greeley, has your office ever announced, within the last year or five years or in six months or one month, has it ever announced that no more applications for new banks in the City of Greeley or Greeley area would—that no new charters would be granted in those areas and that nobody need apply?

A. No, we haven't.

Q. Do you have any applications pending up there at the moment?

A. No, we don't.

MR. SCHOEPKE: That's all.

CROSS-EXAMINATION

By MR. METZGER:

Q. Have you determined to grant the application pending in Boulder?

A. No.

denial, the State Banking Commission's denial, of the appli-

Q. I should like to read to you, Mr. Bloom, from your cation of the Boulder Valley Bank in 1970, two statements. One: "The Boulder community presently appears to be well served by existing financial institutions."

[1203] Do you repudiate this statement, sir?

A. No.

Q. "It could be argued that additional banks conveniently located will further the interests of the depositing public. A bank situated on every block would no doubt be desirable from the standpoint of some depositors and prospective customers. On the other hand, we do not feel that such a chartering procedure would be in keeping with the trust imposed upon this Board by the Colorado General Assembly."

Do you repudiate that statement?

A. No, sir.

Q. Mr. Bloom, has your office recently considered an application for a new bank at Northglenn, a suburb of Denver?

A. Yes, sir.

Q. And the population of Northglenn is about 30,000, I believe?

A. I believe that's in the——

Q. And there is one bank serving that area now?

A. Yes.

Q. And what was the result of the Board's actions with regard to this Northglenn application?

A. It was denied.

MR. METZGER: Thank you, sir. No further questions.

REDIRECT EXAMINATION

By MR. SCHOEPKE:

[1204] Q. Mr. Bloom, with regard to that portion of the opinion saying that you felt Boulder—banking was ade-

quate in Boulder, were you directing that remark at any particular point in time?

A. Well, the order was based on the facts in the record at that particular hearing.

Q. At that moment?

A. Yes.

Q. Would you decline to change your mind if there were growth factors that you considered important?

A. Would I decline to change my mind?

Q. Yes, in other words, is this a—does this speak forever in the future?

A. No, sir.

Q. Is the Boulder area growing?

A. It seems to be.

MR. SCHOEPKE: No further questions.

RECROSS-EXAMINATION

By MR. METZGER:

Q. One question, Mr. Bloom. You are, I think, the only lifetime executive in the state, are you not?

A. I think so.

Q. Your appointment is for life?

A. Yes, sir.

* * * * *

[1205]

WALTER C. EMERY,

[1206] called as a witness in rebuttal by the plaintiff, being first duly sworn, on his oath testified as follows:

THE COURT: Take the witness stand and state your name, address and occupation.

[1207] THE WITNESS: My name is Walter C. Emery. I live at 2901 East Cedar Avenue, and I am president of the Bank of Denver, 1534 California, Denver, Colorado.

DIRECT EXAMINATION

By MR. MALASKY:

Q. Mr. Emery, how long have you been president of the Bank of Denver?

A. Eleven years.

* * * * *

Q. Mr. Emery, Defendants' Exhibit 16 in evidence indicates that you have correspondent bank relationships in Kansas City, Chicago, San Francisco, Los Angeles and New York. Would you explain the nature of these correspondent relationships?

A. If you mean what do I use them for?

Q. That's right.

A. I might add we also have a correspondent bank in [1208] Dallas.

Q. And that's in addition to Denver?

A. Yes. Do you wish to know what I use the correspondent banks for in Denver, or in all of them?

Q. In the other cities.

A. In New York we use the Chase Manhattan for purchase and holding of certain securities, purchase and sale of federal funds and of clearance of certain special items, transfers of funds and foreign exchange.

Q. How about in Kansas City?

A. Kansas City we use the banks there occasionally for collection of certain checks.

Q. And Chicago? How many do you have in Chicago?

A. We have two in Chicago, the American National and the First National, and we use those for the same purpose.

• • • • •

[1210] Q. Mr. Emery, is your bank a member of the Federal Reserve System?

A. No, it is not.

Q. How is your bank classified?

A. It's a state nonmember bank.

Q. Now, as such, are the facilities—Are the facilities to your knowledge of the Federal Reserve Bank—branch bank here in Denver available to the same extent that they are to the national bank members of the Federal Reserve System?

A. They are not.

Q. Does this mean, Mr. Emery, that you depend quite heavily on your correspondent relationships for your check clearing and other items?

A. We do.

Q. And whom do you depend on primarily for those full-range——

A. The Central Bank and Trust Company.

Q. Is that for your full-range of correspondent services?

A. Yes.

Q. In your opinion, are any of the banks in any of the other cities to which you refer substitutable for the full [1211] range of correspondent services for your Denver correspondent?

MR. SCHWARZ: That's beyond the limitations that Your Honor has set.

THE COURT: What's he going to testify to?

MR. MALASKY: "No."

THE COURT: Okay.

All right.

THE WITNESS: They are not.

MR. MALASKY: No more questions.

CROSS-EXAMINATION

By MR. SCHWARZ:

Q. Mr. Emery, I heard you refer to the so-called services you get or Mr. Malasky referred to them, the services you get from Central as the full line of correspondent services. Isn't it true that you told me just before you went on the stand here in the hall that so far as federal funds for example is concerned you do most of your federal fund trading in California and on the East Coast because it is easier and you get better service?

A. No, I did not quite say that, Mr. Schwarz. I said that we trade, buy and sell funds presently with the Chase Manhattan or with the Bank of California because at the moment we have been able to get better prices. We do sell federal funds through the Central Bank. We have sold them through other banks here in Denver and this changes from time to time. [1212] We try to sell our funds where we can get the best price.

* * * * *

[1213] Q. May I repeat my question, Mr. Emery. Were you the chairman of a small group that wrote a minority report and recruited other bankers in the state to oppose branch banking in the state?

A. I wasn't the chairman, because as you pointed out, this was an ad hoc group. I might have been an ad hoc leader of it.

Q. Then it is fair to say you were the ad hoc leader of this group that solicited the other banks to voice their opposi-

tion or to support voicing your opposition to the branch banking principles? Is that a fair statement?

A. Yes, the Colorado Bankers Association, correct.

* * * * *

[1232] MR. SCHOEPKE: If Your Honor please, Plaintiff's Exhibits 184 and 185 which were the documents indicating the cross loans between—the loans that officers of the First National had from Colorado National and the loans that Colorado National officers had from First National of Denver. Now, they were in code form in order to preserve the confidentiality. We have the key to that code which we would offer for the Court to seal in evidence, just simply tying in with the code the names of the officers in question.

MR. METZGER: I don't believe the key serves any useful purpose. You have the dollars and numbers for whatever value they may have. We would object to this breaching or any possible breaching of the confidentiality unless we can show some reason why we need these names, why, the names are of some particular significance.

MR. SCHOEPKE: Well, one, it shows that the officers involved are the top echelon officers in both institutions. I believe that Colorado National Bank listed the loans held from First National Bank or from Colorado National Bank by the top 30 officers of the First National Bank of Denver and in turn the listing that——

THE COURT: Well, haven't you established this as a practice?

[1233] MR. SCHOEPKE: Yes, the thing is, that these are not just people in the teller line. They are in the top——

THE COURT: What difference does it make? I mean, let's fill out the record to that extent. Then they are top officers. Then you won't need the names.

MR. SCHOEPKE: Would you stipulate they are top officers in the institution?

MR. METZGER: Colorado National—it is a matter of record that these were selected from the top 25. That was the interrogatory addressed to Colorado National. So that's now a matter of record. As to the First National Bank of Denver——

MR. SCHOEPKE: We extracted from that—that from the interrogatory answers and we got it and it shows the titles.

MR. METZGER: Five of the 17 are at the assistant level and knowing banks, Your Honor, that is going down a long way in the chain.

THE COURT: Well, that's all right. I just don't think we need to identify them.

MR. SCHOEPKE: Well, my suggestion was that they be sealed. I certainly don't have any motive to identify them but for perfection of the record I suggested they be kept by the Court under seal.

THE COURT: I don't see why the key ought to be [1234] under seal. I don't see why the names make any difference. It's not illegal.

MR. SCHOEPKE: It's not a question of illegality. It's a question of blunting the sharpness of the competition which is one of the issues in the antitrust case. That's all we have in mind.

THE COURT: We're not concerned really between the competition between the First and Colorado anyway, I don't think.

MR. SCHOEPKE: One of our arguments of a concentrated market is that once that's been made, that competition tends to be less—This is an example of——

MR. METZGER: Let me offer a stipulation, Your Honor. I will stipulate that there were senior officers of both banks involved. If counsel will stipulate that at the time these loans were made that the maximum you could borrow from your own bank by regulation of the Comptroller of the Currency was $2500—if we've got those stipulations, that's fine.

MR. SCHOEPKE: I think that will take care of it, Your Honor.

THE COURT: Okay.

* * * * *

[1247] THE COURT: Just give me the ones you object to.

MR. SCHOEPKE: All right.

Number 10 we object to because it goes to the line of commerce, which we have argued has been decided by the Supreme Court and is not in issue in this case.

THE COURT: As to whether commercial banking——

MR. SCHOEPKE: As to whether commercial banking——

THE COURT: Well, they have got a right to make a record, I suppose.

MR. SCHOEPKE: Yes, but we——

THE COURT: You do not agree with them. They can still preserve it, can't they?

MR. SCHOEPKE: Well, we do not object to the Court's considering this document. We just wish to make it clear

that by not objecting we are not going along with their contention——

[1248] THE COURT: All right.

MR. SCHOEPKE: —on the line of commerce.

* * * * *

[1255] MR. SCHOEPKE: Defendants' Number 60 is the flow of savings in Philadelphia between banks and other financial organizations. It is irrelevant as dealing with the line of commerce, Your Honor. It is retrying the Philadelphia case, which I don't think is appropriate here.

Defendants' Number 61 also goes to the line of commerce and in our respectful view is irrelevant.

* * * * *

[1256] MR. SCHOEPKE: All right. Then we have no objection.

* * * * *

[1257] No. 66 goes to line of commerce and on that ground we would object to it as being irrelevant.

And I am at the end now, Your Honor.

No. 67 is banks in other states which are downstream correspondents with major Denver banks. We think we have made a case that the State of Colorado is the most appropriate geographic market so we would object to No. 67 on the grounds of relevancy.

THE COURT: You mean the correspondent banking market area?

MR. SCHOEPKE: Yes, sir. So on that ground we would object to 67.

THE COURT: It's the Denver group of banks in the State of Colorado.

MR. SCHOEPKE: That's the most—in terms of economic realities, the most appropriate place within which——

THE COURT: If I were to hold that this was the appropriate area in the line of commerce, I would still have to find that the acquisition in question violates the statute.

MR. SCHOEPKE: Yes, in which connection it is our contention you have to take into account the entire trends in the industry.

THE COURT: Well, it's never clear to me from the way you people argue this, as to what extent these other transactions come into play. I am told on the one hand that [1258] I must try this case on the particular acquisition. On

the other hand, you are always trying to bring in various other relationships and transactions to bolster your case. So maybe——

MR. SCHOEPKE: Well, this all goes to the trend argument as aggravating the specific effect of the particular transaction under immediate examination which we have developed in our brief and will develop more.

THE COURT: I can see where I might consider it in light of other things. It might assume a little more meaningful proportion. But that's about all I can see.

MR. SCHOEPKE: We think that is a vital point.

THE COURT: Well, what if it just created the slightest ripple in the market in question? If you have a whole passle of them otherwise that had preceded it? You say I would still have to grant you the relief?

MR. SCHOEPKE: Your Honor, may I ask it this way. I am not really prepared for my final argument at this point but may I answer it this way. And this is from the Bethlehem Steel case which we had occasion to read.

THE COURT: You answer it from yourself, from what you know about the law here and what your theory of this case is. Don't give me Bethlehem Steel. I'll read that myself. Just tell me what your theory of the case is in response to my question.

MR. SCHOEPKE: Let me put it this way. And, I am [1259] plagiarizing someone else but it's expressed better. You can eat an apple two ways; you can nibble at it delicately or can gobble it ravenously, but the end result is that you have consumed the apple. And, it is this notion of nibbling away here that we place the main thrust of our argument, that you have to consider the transaction immediately in question in terms of the overall trend. It's the same idea as——

THE COURT: What if the whole apple has been eaten and there is just a nibble left? Do you think I have to enjoin that? Doesn't do much good, does it?

MR. SCHOEPKE: Well, if you leave even a little bit left there is something there besides a monopoly and there is also the grounds for deconcentration and this is the fundamental thrust of the antitrust laws; is to leave the possibility of deconcentration always open. The courts have said this over and over again, where a market is——

THE COURT: It is always open, I suppose.

MR. SCHOEPKE: Pretty hard where there is only one

competitor for another one to break in.

THE COURT: I am not going to give you an answer to that.

We will take a short recess. I do, though, want to ask Dr. Baxter some questions. As I understood him there is not very much of what you call really vigorous competition in the Greeley area, anyhow, is that right?

[1260] You can sit down.

DR. BAXTER: Well, I was comparing the——

THE COURT: I mean, at present.

THE WITNESS: Yes.

THE COURT: Right now?

THE WITNESS: Yes, that's correct.

THE COURT: In other words, I think that you lead up to that by saying you discovered it in your travels in Colorado that these small towns—in these small towns that the banks do not compete vigorously in any event.

THE WITNESS: That is correct.

THE COURT: They have all their traditional market share and they try to hold onto it?

THE WITNESS: That's correct. They look after new business that may be coming into the community, but there is no real aggressive solicitation program, no real effort such as you find in a place like Denver.

THE COURT: And this approach obtains in the town of Greeley market, is that right?

THE WITNESS: That's correct.

THE COURT: So, therefore, if there is no particular competition at present, why, this acquisition can't have much of an adverse effect.

THE WITNESS: It was my judgment that this acquisition would be procompetitive in the sense that the type of [1261] operation of the First National Bancorporation would bring to Greeley and Weld County would be far more competitive than would—and it would therefore induce the others to work a little harder, too.

THE COURT: Yes, but if the experience that we have had from United Bank and Affiliated Bankshares is any criterion, it won't have much effect at all, is that right? Because, they don't seem to——

THE WITNESS: My judgment is that the First National Bancorporation would compete harder. At least, this is their testimony.

THE COURT: But you don't think they would compete any less, anyhow?

THE WITNESS: I certainly would agree with that, Your Honor.

THE COURT: You gentlemen may want to expand on this a little bit.

I might say that what I know of the smaller communities in Colorado—If you don't think Colorado has any monopoly, why, there is quite a grain of truth to this—it is not a—not an adversary atmosphere at all. I mean, I suppose there is some competition, but I am sure they don't cut one another's throats in any field of endeavor.

THE WITNESS: I agree.

THE COURT: I mean, it's a low tempo than it is in [1262] even some of these suburban communities like Englewood and Aurora and so on. They sort of just—just as Denver I don't suppose is as much of a competitive atmosphere as Kansas City or St. Louis or Chicago. Maybe when you get real big, why, it tends to come back to more of a monopolistic atmosphere.

* * * * *

[1263] PHILIP HOGUE,

called as a witness by the defendants on surrebuttal, having been previously duly sworn, on his oath testified as follows:

[1264] THE COURT: You have already been sworn?

THE WITNESS: Yes, sir.

DIRECT EXAMINATION

By MR. METZGER:

Q. Showing you Defendants' Exhibit Number 16, Mr. Hogue, from what sources was this document derived?

[1265] A. The references used in putting together this document was the 1970 Mountain States Bank Directory for Colorado and the Polk's World Bank Directory for September, 1970, and the American Bank Directory, Spring Edition, 1970.

Q. Did you examine this document to determine whether it included all correspondents of the First National Bank of Denver?

A. Yes, I did. One of the reasons for using all three sources was that in many cases one source will list the number of banks that another source will not.

Q. Did these three sources exhaust the correspondents of the First National Bank of Denver?

A. No, sir.

Q. By any substantial amount?

A. I don't remember the numbers, Mr. Metzger. We checked as an example and the account the First National Bank of Denver maintains and the account in Colorado Springs was not listed. One in Wyoming that was not listed and I think it's common in many cases not to list every one of your correspondents.

[1273] IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. C-2413

UNITED STATES OF AMERICA,
PLAINTIFF,

VS.

FIRST NATIONAL BANCORPORATION AND FIRST NATIONAL BANK OF GREELEY,
DEFENDANTS.

PROCEEDINGS BEFORE THE HONORABLE WILLIAM E. DOYLE, Judge, presiding, United States District Court for the District of Colorado, Courtroom D, U. S. Courthouse, Denver, Colorado, commencing at or about the hour of 9:00 o'clock a.m., Thursday, May 13, 1971.

APPEARANCES:

(As heretofore noted.)

[1274] MR. LIPKOWITZ: Plaintiff calls William P. Lober.

WILLIAM P. LOBER,

a witness called by and on behalf of the plaintiff on rebuttal, being first duly sworn was examined and testified as follows:

DIRECT EXAMINATION

By MR. LIPKOWITZ:

THE COURT: Give us your name, address and occupation.

THE WITNESS: William P. Lober, L-o-b-e-r, I am Comptroller for the United Bank of Denver.

Q. (By Mr. Lipkowitz) Mr. Lober, did I ask you to come to this court this morning and bring with you back issues of the annual report of the then Denver U. S. National Bank.

A. Yes, sir.

Q. Would you please read from Page 4 of the——

MR. METZGER: Objection. Not the best evidence. If the witness has any facts, let him state them.

THE COURT: I don't know what he's going to ask him [1275] yet. I've got to find out.

MR. LIPKOWITZ: I will build a foundation for asking the witness to read from the report.

Q. Were you the comptroller or assistant comptroller of the United Bank of Denver in the early years of this decade—of the past decade, the 1960's?

A. I was the chief accounting officer during that period.

Q. Are you familiar with the aggregate deposits of the then Denver U. S. National Bank, the totals?

A. Yes, sir.

Q. Was there an extraordinary deposit in the last days of the calendar year 1961 that you were aware of?

A. Yes, there was.

Q. Could you explain to the Court how that deposit came about and what its magnitude was, roughly?

A. Well, on December 22nd, I believe it was, of 1961, the bank received some $106 million which we were entrusted with the responsibility of disbursing to the stockholders of Argo Oil Company as liquidation dividends. They sold their assets and we were charged with that responsibility.

Q. And it was the trust department that was charged with this responsibility, is that correct?

A. Yes.

Q. Was that deposit a significant portion of the [1276] deposits of the bank by the end of the year?

A. About a fourth of it, roughly.

Q. And this was an extraordinary item?

A. It was, sir.

Q. Do you know of any other items that were quite as extraordinary as that in your years with the Denver U. S. National Bank?

A. No, I do not.

Q. Did this pose some sort of problem in terms of explaining to your shareholders why suddenly the deposits went way up and then a year later went way down?

A. Yes, it made the statements noncomparable, certainly, for the two periods.

Q. Could you explain how you accounted to your stockholders in the 1963 annual report?

A. Well, the 1963 annual report—we told them—We made a five-year comparison of our deposit history and other figures and we told them that 1961 was inflated by about $106 million as a result of this Argo transaction and we stated the—that the proper figure, instead of $429 million should be about $323 million.

[1277] Mr. Lipkowitz: Thank you, no further questions.

Cross-examination

By Mr. Metzger:

Q. Sir, did you report these deposits in your annual report for 1961?

A. Yes.

Q. In the annual condition statement for 1961?

A. Yes, sir.

Q. Were they dissipated on January 1, 1962?

A. No, sir.

Q. Were they part of the assets of your bank in substantial part for some period of the next year?

A. No, a very short period. By six months, most of them were dissipated.

Q. You had the use of these funds for six months?

A. A short time. Much of them had been paid out by the middle of the year.

Q. So, for about six months you had the use of a substantial portion of those funds?

A. Yes, sir.

Mr. Metzger: That's all. No further questions.

The Court: You may be excused.

Mr. Lipkowitz: Plaintiff calls William J. Tracy.

The Court: Come forward, Mr. Tracy.

Mr. Schwarz: Your Honor, may I renew my objection [1278] of yesterday as to the improper rebuttal character of this witness' testimony? I believe we discussed it yesterday.

The Court: You surely may.

Mr. Schwarz: Thank you.

William J. Tracy,

called as a rebuttal witness by the plaintiff, being first duly sworn, on his oath testified as follows:

THE COURT: Take the witness chair. Give us your name, address and occupation.

THE WITNESS: William J. Tracy, Trinidad, Colorado.

DIRECT EXAMINATION

By MR. LIPKOWITZ:

Q. Your occupation, sir?

A. My occupation is President of the First National Bank in Trinidad, Colorado.

Q. Are you here under subpoena?

A. Yes, I am sir.

Q. Could you tell the Court where Trinidad, Colorado, is located?

THE COURT: I know.

Q. For the record, how far is Trinidad from——

A. About a hundred——

Q. —from the New Mexico border?

A. From the New Mexico border? Eighteen miles.

Q. How far from Pueblo, Colorado?

[1279] A. Eighty miles.

Q. And from Denver?

A. 185.

Q. Does your bank use or obtain correspondent services from the First National Bank of Pueblo?

A. Yes, we do.

Q. Would you describe what sort of services your bank obtains from the First National Bank of Pueblo?

A. We use the First National Bank for check processing and overlines.

Q. And do you process all your checks through First National Bank of Pueblo?

A. No, we do not.

Q. Well, is there some geographic area from which you select checks to go to the First National Bank of Pueblo for processing?

A. We use the First National Bank to clear the checks in the Arkansas Valley, the San Luis Valley, New Mexico and Texas.

Q. And where do you clear the rest of your checks?

A. Through the United Bank of Denver.

Q. Now, does the First National Bank of Pueblo provide other correspondent services to your bank?

A. These are the only ones that we use.

Q. Do you use any other Colorado correspondents besides [1280] the First National Bank of Pueblo and the Denver U.S. National Bank—well, United Bank of Denver now?

A. We use the Colorado National Bank for the Bank-Americard.

Q. Who is your prime correspondent?

A. United Bank of Denver.

Q. What services do they provide besides check clearing of the checks that you do not clear through the First National Bank of Pueblo?

A. We use the computer for our time, demand, bond portfolio, on the computer, and we also use them for our safekeeping. We also use them for our profit-sharing plan.

Q. Since Pueblo is closer to you than Denver, do you consider using First National Bank of Pueblo as your prime correspondent?

A. No, we have always used a Denver bank as a prime correspondent.

Q. Why?

A. Well, because of the transportation facility that's available here in Denver, mainly, for expediency in clearing checks.

Q. You think you can clear your checks faster through Denver than trying to clear them through Pueblo?

Mr. Schwarz: Objection, Your Honor, that's leading.

The Court: Overruled.

[1281] Did you hear the question?

The Witness: Yes, I did.

The Court: I assume that when you say it is because of the time factor that it goes more quickly through Denver?

The Witness: Yes, Your Honor.

Q. Does the First National Bank of Pueblo have the ability in your opinion to provide the full range of correspondent services that you obtain from the United Bank of Denver?

A. I think presently they probably offer everything except computer service.

Q. But you use United Bank of Denver, nevertheless?

A. I would say it's all in personal opinion.

Q. And your personal opinion as a banker is that you

find United Bank of Denver to be a more satisfactory correspondent bank than the First National Bank of Pueblo?

A. Well, because Denver is considered the financial center of the Rocky Mountain West, why, I use this as my prime correspondent.

MR. LIPKOWITZ: Thank you. No further questions.

CROSS-EXAMINATION

By MR. SCHWARZ:

Q. Mr. Tracy, isn't it true that last night on the telephone you told me that one important reason for using the United Bank for the various services you do use it for is because they hold the bank stock loan of the owner of your [1282] bank?

A. Yes, sir, this is one of the reasons.

MR. SCHWARZ: No further questions.

Wait a minute.

(Counsel conferred.)

MR. SCHWARZ: No further questions. Thank you.

THE COURT: You may be excused from further attendance, Mr. Tracy.

(Witness excused.)

[1283] MR. SCHOEPKE: Your Honor, this concludes the government's rebuttal case.

* * * * *

[1292] MR. METZGER: We should like at this time to renew our motion to dismiss the plaintiff's case. I believe that there has been no prima facie case established either on the plaintiff's case or through its cross-examination of the defendants' witnesses, nor through the rebuttal case.

* * * * *

[1293] THE COURT: We will deny the motion for the record, but preserve the question so that the defendants' record will be preserved whereby they can maintain that on the basis of the evidence at the close of the Government's case and upon the basis of all the evidence the evidence of the Government is insufficient in law to satisfy the burden. Therefore, it will not be granted.

* * * * *

APPENDIX

[illegible]

MAY 30 1972
MICHAEL RODAK, JR., CLE

In the Supreme Court of the United States

October Term, 1971

No. 71-706

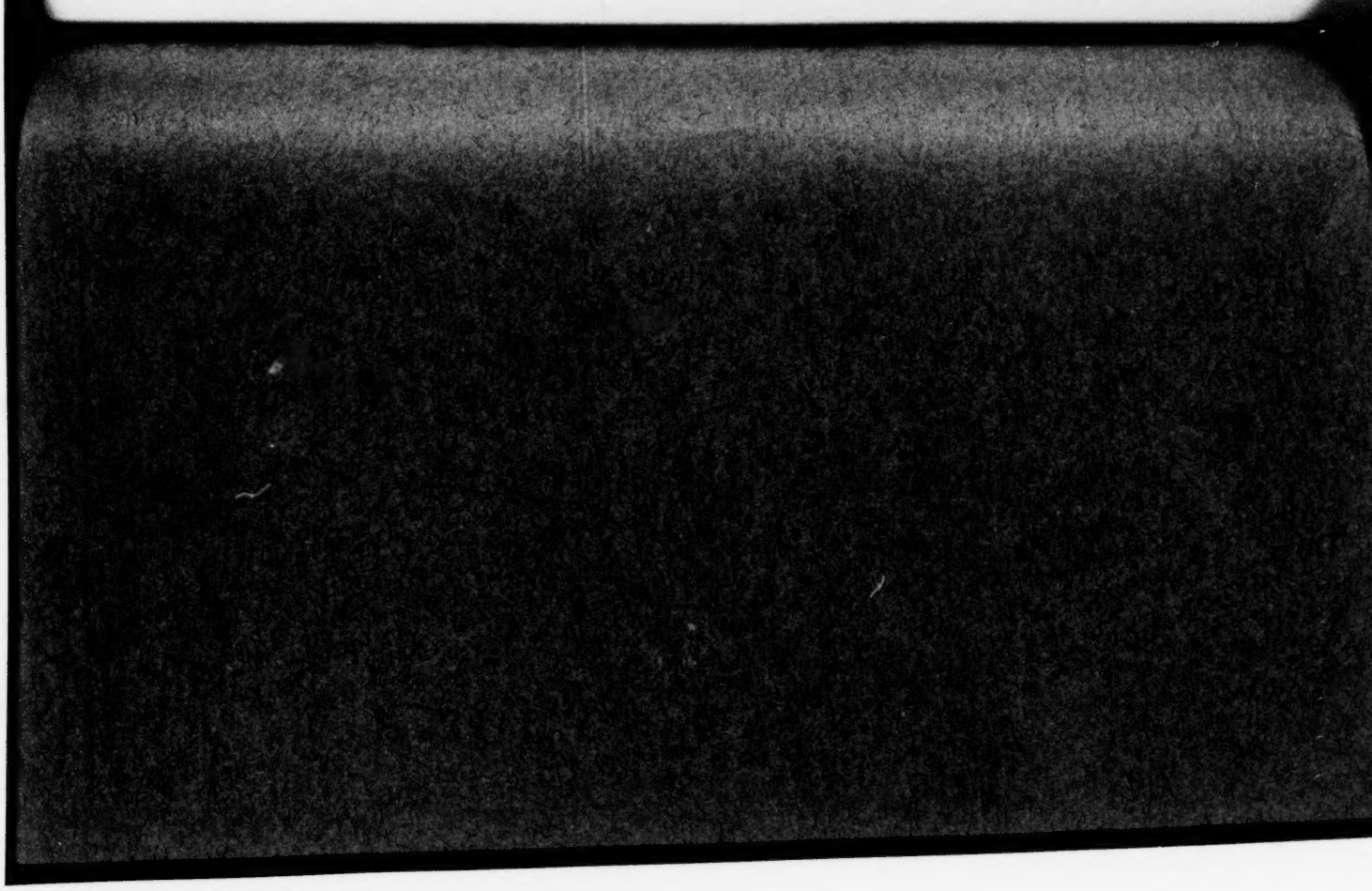
United States of America, appellant,

v.

First National Bancorporation, Inc., and
The First National Bank of Greeley

On appeal from the United States District Court for the District of Colorado

[illegible] STATEMENT FILED NOVEMBER [illegible], 1971
[illegible] JURISDICTION NOTED FEBRUARY [illegible], 1972



In the Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-703

UNITED STATES OF AMERICA, APPELLANT,

v.

FIRST NATIONAL BANCORPORATION, INC., AND THE FIRST NATIONAL BANK OF GREELEY

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLORADO

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—cross [28]	2000
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Testimony of Roger B. Knight, Jr.—direct [30]	2002
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PLAINTIFF'S EXHIBIT 2

Interrogatory 1

State as of the present date:

(a) The name and address of each present bank and non-bank subsidiary of Bancorporation:

Bank Subsidiaries

The First National Bank of Denver	621 Seventeenth Street Denver, Colorado 80202
The First National Bank of Bear Valley	3100 South Sheridan Blvd. Denver, Colorado 80227
The First National Bank of Northglenn	10520 Melody Drive Northglenn, Colorado 80234
The First National Bank of Southglenn	2350 East Arapahoe Road Littleton, Colorado 80120

Non-bank Subsidiaries

none

(b) The name and address of each bank for which Bancorporation or any officers or directors of Bancorporation acting in behalf of Bancorporation has at any time applied or inquired, formally or informally, to any bank regulatory agency for permission to organize or establish:

The following three banks were organized de novo by officers and/or directors of The First National Bank of Denver, principal subsidiary of The First National Bancorporation, Inc.:

1. The First National Bank of Northglenn
   10520 Melody Drive, Northglenn, Colorado
   Opened for business—November 14, 1963
2. The First National Bank of Bear Valley
   3100 South Sheridan Blvd., Denver, Colorado
   Opened for business—June 15, 1964
3. The First National Bank of Southglenn
   2350 East Arapahoe Road, Littleton, Colorado
   Opened for business—November 30, 1964

Officers of Bancorporation discussed with the Regional Administrator of National Banks during the last quarter of 1969 the filing of a charter for a de novo national bank

to be located in the Montbello Shopping Center. A preliminary application for such a charter was prepared by Bancorporation but was never filed with the Regional Administrator. Bancorporation subsequently filed an applica- with the Federal Reserve Board of Governors under Section 3(a)(3) of the Bank Holding Company Act of 1956 as amended to acquire 80% or more of the outstanding share of Montbello State Bank.

(c) The name and address of each bank which is not a present subsidiary for which Bancorporation or any officers or directors of Bancorporation acting in behalf of Bancorporation has applied or inquired, formally or informally, to any bank regulatory agency for permission to acquire:

Bancorporation has applications pending with the Federal Reserve Board of Governors to acquire 80% or more of the outstanding shares of the following Colorado banks:

The Exchange National Bank of Colorado Springs

The Security State Bank of Sterling

Montbello State Bank, Denver

Bancorporation did file an application with the Federal Reserve Board of Governors to acquire control of The First National Bank of Pueblo, Pueblo, Colorado, which application was denied by the Board of Governors on September 1, 1970.

Bancorporation, through counsel, has discussed informally with various members of the staff of the Federal Reserve Board of Governors in Washington the advisability and feasibility of acquiring 80% or more of the outstanding shares of the National State Bank of Boulder, Boulder, Colorado.

PLAINTIFF'S EXHIBIT 3

ANNUAL REPORT

THE FIRST NATIONAL BANCORPORATION, INC.

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To Our Shareholders:

On October 18, 1968 The First National Bancorporation, Inc., which was incorporated under the laws of Colorado on December 1, 1967, had acquired through exchange of stock, controlling interests in The First National Bank of Denver and its three affiliated banks. As of October 18, 1968, the Bancorporation owned 99.67% of The First National Bank of Denver, 89.44% of The First National Bank of Bear Valley, 92.91% of The First National Bank of North Glenn, and 88.60% of The First National Bank of Southglenn.

We are confident that the multiple advantages of membership in a registered bank holding company will accrue to our four subsidiary banks and to the former stockholders in these banks who exchanged their shares.

The principal advantages of such membership are: (a) the competitive strength of the holding company itself; (b) the ability of a subsidiary bank to retain its own identity and operate autonomously as compared with a merger into a larger bank, (c) the ability of the company to generate funds for capital expansion for subsidiary banks and to provide with its own funds banking quarters for such subsidiaries; (d) the facility of extending the 109 year banking experience of The First National Bank of Denver to the other subsidiary banks; and (e) a more ready market for shares owned by the stockholders as well as diversification of banking interests.

The policy of our company is to expand as rapidly and as wisely as possible through the acquisition of other banks in Colorado (preferably banks in those growth areas where Bancorporation may make the most significant contribution to Colorado's economy and concurrently generate the highest profits for its shareholders) and through other legally permissible investments and activities.

We believe that in 1969 legislation will be passed in Congress to place one-bank holding companies under the Bank Holding Company Act of 1956 and, at the same time, expand the types of related businesses which may be organized or acquired by registered bank holding companies. The Board of Governors of The Federal Reserve System in a printed statement of principles released February 20, 1969, said, "one-bank holding companies and multi-bank holding companies should be afforded equal treatment under the law with respect to bank and non-bank acquisitions,"

and that "registered bank holding companies should be allowed to enter certain non-banking areas of activity, specified in statute or agency regulation, which would facilitate broader services for the public." We believe this to be a fair statement of principles and, dependent upon resulting legislation and consistent with our policies, will take advantage of each opportunity afforded us.

We are pleased that bank growth via the registered bank holding company route is becoming well accepted throughout Colorado as evidenced by the announcement of the proposed formation of three additional companies. Others, we know, are under consideration.

We sincerely appreciate the support of our shareholders and of the many officers and employees of the member banks. We earnestly solicit your continued support.

Sincerely,

/s/ Montgomery Dorsey
MONTGOMERY DORSEY,
Chairman of the Board

/s/ Eugene H. Adams
EUGENE H. ADAMS,
President

THE FIRST NATIONAL BANCORPORATION, INC.

THE FIRST NATIONAL BANCORPORATION, INC.

CONSOLIDATED BALANCE SHEET
(UNAUDITED)

	DECEMBER 31 1968	1967
RESOURCES		
Cash and Due from Banks	$159,938,598	$144,[illegible]
U.S. Government Obligations (Note 2)	64,734,669	62,133,171
Obligations of States and Political Subdivisions (Note 2)	42,519,033	42,345,054
Obligations of Federal Agencies (Note 2)	6,000,000	2,000,000
Other Securities (Note 2)	950,823	945,500
Federal Funds Sold	1,400,000	2,150,000
Loans, Less Reserve for Loan Losses (Note 3)	345,678,007	298,708,319
Bank Premises and Equipment, Less Accumulated Depreciation (Note 5)	15,531,552	15,879,629
Customers' Acceptance Liability	361,237	96,983
Income Earned, Uncollected	4,834,631	4,421,814
Other Assets	4,665,015	1,372,056
Total	$646,514,365	$575,019,529
LIABILITIES		
Deposits:		
(a) Demand	$338,841,139	$300,800,830
(b) Time	230,100,382	222,329,522
Total	568,941,521	523,129,352
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	21,614,607	-0-
Funds Borrowed	185,000	-0-
Mortgages Payable (Note 6)	5,384,092	5,808,052
Acceptances Outstanding	261,237	96,983
Income Collected, Unearned	1,924,574	1,656,936
Other Liabilities	5,321,719	4,154,353
Total	603,932,700	534,845,478
Minority Interests in Subsidiary Banks	283,512	267,076
Stockholders' Equity	42,598,093	39,911,973
Total	$646,514,305	$575,019,529

See Notes to Consolidated Financial Statements

DIRECTORS

*MONTGOMERY DORSEY
Chairman of the Board, The First National Bank of Denver

*EUGENE H. ADAMS
President, The First National Bank of Denver

*BRUCE D. ALEXANDER
Senior Vice President, The First National Bank of Denver

LEE C. ASHLEY
Senior Vice President and Cashier, The First National Bank of Denver

G. D. RYDELOTT
President, The Denver and Rio Grande Western Railroad Company

RICHARD P. BROWN
Senior Vice President and Executive Trust Officer, The First National Bank of Denver

EDWARD B. CLOSE, JR.
Partner, Hughes & Dorsey, Attorneys

JOHN EVANS, JR.
President, Evans Investment Company

*FREDERICK M. FARRAR
Chairman of the Board, The First National Bank of Pueblo, Pueblo, Colorado

W. COLES HUDGINS
Executive Vice President, Mountain States Telephone and Telegraph Company

SAMUEL T. JONES
Insurance, Pueblo, Colorado

JOHN M. KING
Chairman of the Board, King Mountain Company

WILLIAM H. KISTLER
President, W. H. Kistler Stationery Company

DAVID W. MOORE
President

J. SIMS NORMAN, M.D.
Physician, Pueblo, Colorado

GERALD H. PHIPPS
President, Gerald H. Phipps, Inc.

*DONALD E. PROVOST
President, Sabine Royalty Corporation

BARRY MOREY SULLIVAN
President, Morey Realty Company

*RUSSELL T. TUTT
President, El Paso Investment Company, Colorado Springs, Colorado

*WILLIAM M. WHITE, JR.
Chairman of the Board and President, Great Western United Corporation

ADVISORY DIRECTORS

JOSEPH B. BOYD
President, The First National Bank of Southgate

RICHARD C. MECKLEY
President, The First National Bank of Star Valley

WESLEY J. WATSON
Executive Vice President, The First National Bank of North Denver

OFFICERS

MONTGOMERY DORSEY
Chairman of the Board

EUGENE H. ADAMS
President

BRUCE D. ALEXANDER
Executive Vice President

RICHARD S. FITZGERALD
Vice President

LEE C. ASHLEY
Treasurer

EDWARD B. CLOSE, JR.
Secretary

*Member Executive Committee †Resigned January 13, 1969

CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

	FOR THE YEARS ENDED DECEMBER 31	
	1968	1967
OPERATING INCOME:		
Interest and Fees on Loans	$ 21,877,146	$ 17,952,142
Interest and Dividends on		
U.S. Government Obligations	2,996,846	2,501,824
Obligations of States and Political Subdivisions	1,518,074	1,327,869
Trust Department	5,104,779	4,147,618
Other	3,552,633	2,447,008
Total	$ 35,050,078	$ 28,376,461
OPERATING EXPENSES:		
Salaries and Bonuses	7,572,287	6,544,778
Pensions, Profit Sharing and Other Employee Benefits	889,467	1,112,435
Interest on Deposits	19,575,801	8,972,308
Interest on Borrowed Money	303,065	313,152
Net Occupancy – Bank Premises	914,819	825,483
Equipment Rentals, Depreciation, Maintenance	1,606,957	1,447,970
Other	4,178,473	2,023,553
Total	26,040,866	21,239,679
OPERATING INCOME BEFORE INCOME TAX	9,009,212	7,136,782
INCOME TAXES APPLICABLE TO OPERATING INCOME	4,186,468	2,801,246
NET OPERATING INCOME BEFORE MINORITY INTEREST	4,822,744	4,255,536
MINORITY INTEREST	33,033	24,780
NET OPERATING EARNINGS	4,789,711	4,230,756
NON-OPERATING ADDITIONS (DEDUCTIONS) NET OF RELATED INCOME TAXES OF: 1968, $438,319; 1967, $340,794:		
Provision for Loan Losses (Note 2)	$ (326,609)	$ (313,175)
Net Security Losses	(83,430)	(2,423)
Other-Net	16,103	(10,115)
Minority Interest in Non-Operating Items	7,120	3,067
Net Non-Operating Deductions	(386,906)	(322,646)
NET INCOME	$ 4,402,805	$ 3,908,110
PER SHARE OF COMMON STOCK:		
Net Operating Earnings	$3.22	$2.84
Net Income	$2.96	$2.63

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY
(UNAUDITED)

	DECEMBER 31	
	1968	1967
BALANCE, January 1	$ 39,911,973	$ 37,420,993
ADDITIONS – Consolidated Net Income	4,402,805	3,908,110
DEDUCTION – Cash Dividends Declared	(1,716,685)	(1,417,130)
BALANCE, December 31	$ 42,598,093	$ 39,911,973

See Notes to Consolidated Financial Statements

THE FIRST NATIONAL BANCORPORATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1968 (UNAUDITED)

1. PRINCIPLES OF CONSOLIDATION

The acquisition of the stock of the four subsidiary banks effective October 18, 1968 has been accounted for on a pooling of interests basis. The accompanying consolidated financial statements have been prepared to reflect the merger retroactively and include the accounts of the Parent Corporation and all subsidiaries. All intercompany transactions have been eliminated.

2. SECURITIES

Investment securities are included in the balance sheet at cost, adjusted for accretion of discount and amortization of premium. The market values on December 31, 1968 were: U.S. Government Obligations, $64,195,020; Obligations of States and political subdivisions, $41,639,302; Obligations of Federal agencies, $5,908,750; Other securities, $950,823.

3. RESERVE FOR LOAN LOSSES

The provision for loan losses transferred to the reserve is based on the deduction allowable for Federal income tax return purposes and is not based on actual loan loss experience. Following is a summary of the transactions in the reserve for loan losses:

	Year ended December 31, 1968	1967
Reserve balance, January 1	$3,556,945	$2,983,745
Transfer to reserve	683,000	640,700
Total	4,239,945	3,624,445
Loans charged off, net of recoveries	519,621	67,500
Reserve balance, December 31	$3,720,324	$3,556,945

4. PENSIONS

The subsidiary banks have a noncontributory pension plan covering all regular full-time employees. The total pension expense for 1968 was $261,000 which included no amount for past service costs. No specific funding or accounting method for past service costs has been adopted, and the amount charged to expense may vary from year to year. At December 31 the unfunded value of vested benefits was approximately $3,000,000.

5. BANK PREMISES AND EQUIPMENT

	Asset	Accumulated Depreciation
Balances at December 31, 1968:		
Land	$ 486,120	
Buildings and leasehold improvements	21,311,360	$7,142,090
Furniture and equipment	2,351,456	1,475,286
Total	$24,148,936	$8,617,364

The Companies provide for depreciation of buildings and leasehold improvements on a straight line basis over estimated useful lives varying from seven to fifty years and for depreciation of furniture and equipment on straight-line and accelerated bases over estimated useful lives varying from three to forty years. Depreciation expense for 1968 totaled $904,789.

6. MORTGAGES PAYABLE

Certain properties are assigned as collateral to mortgages payable. The mortgages bear interest at rates ranging from 4¾% to 6% and are payable $175,000 each quarter, including principal and interest.

7. INCOME TAXES

Income taxes are provided based on financial accounting income adjusted for nontaxable items, such as interest on obligations of States and political subdivisions. The current year's provision has been reduced by investment credits of $20,391 currently allowable on the Federal income tax return. There are no unused investment credits available to offset income taxes of future years.

THE FIRST NATIONAL BANCORPORATION, INC.

BALANCE SHEET, DECEMBER 31, 1968
(PARENT COMPANY ONLY)

ASSETS		
CURRENT ASSETS – Cash		$ 44,723
INVESTMENT IN STOCK OF SUBSIDIARY BANKS – Representing the Company's interest in the underlying net assets	Percent Owned	
The First National Bank of Denver	99.64%	41,290,114
The First National Bank of Bear Valley	89.44%	505,278
The First National Bank of North Glenn	92.91%	449,200
The First National Bank of Southglenn	88.60%	313,918
OTHER – Stock issuance and organization expense (less amortization of $2,292)		187,010
TOTAL		$42,785,243
LIABILITIES		
CURRENT LIABILITIES – Accrued interest and taxes		$ 2,150
NOTE PAYABLE – Due October 31, 1971, interest payable quarterly at prime rate		185,000
STOCKHOLDERS' EQUITY		
Common stock, $10 par value: authorized, 3,500,000 shares; issued and outstanding, 1,498,585	$14,685,850	
Paid-in surplus	27,154,577	
Retained earnings	557,666	
Stockholders' equity		42,598,093
TOTAL		$42,785,243

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE PERIOD FROM OCTOBER 18, 1968 TO DECEMBER 31, 1968
(PARENT COMPANY ONLY)

INCOME FROM SUBSIDIARY BANKS:		
Cash dividends		$ 546,401
Equity in undistributed earnings since acquisition		530,233
Management and service fees		24,000
TOTAL		1,100,637
EXPENSES:		
Services purchased from The First National Bank of Denver	$6,891	
Directors' fees	2,500	
Association dues	2,341	
Amortization	2,292	
Interest	1,320	
Other	5,792	
TOTAL		$ 21,136
INCOME BEFORE INCOME TAXES		1,079,501
PROVISION FOR INCOME TAXES		830
NET INCOME		1,078,671
CASH DIVIDENDS PAID		521,005
RETAINED EARNINGS, DECEMBER 31, 1968		$ 557,666

NOTE: The Company began operations October 18, 1968 upon exchange of its stock for stock of the subsidiary banks.

Accountants' Opinion

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS
818 Seventeenth Street
Denver 80202

Opinion of Independent Certified Public Accountants

To the Board of Directors and Shareholders of The First National Bancorporation, Inc.:

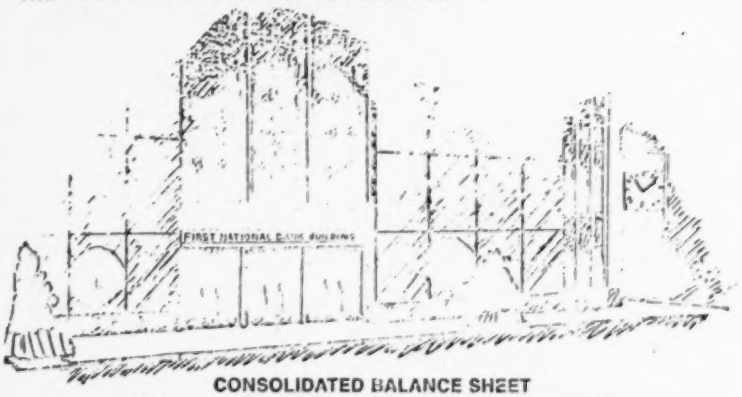
We have examined the balance sheet of The First National Bancorporation, Inc. (Parent Company only—a Colorado Corporation) as of December 31, 1968, and the related statement of income and retained earnings for the period from October 18, 1968 (date commenced operations) to December 31, 1968. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except that we have not examined the financial statements of the subsidiary banks.

Inasmuch as we have not examined the financial statements of the subsidiary banks, and the Company's investment in these banks constitutes the major part of its assets and the source of the major part of its income, we are unable to express an opinion on the accompanying Parent Company only financial statements taken as a whole (nor does our opinion, expressed below, extend to amounts included in the financial statement captions entitled "Investment in stock of subsidiary banks" and "Equity in undistributed earnings since acquisition" or the effect of transactions therein on net income and retained earnings). However, in our opinion, the accompanying Parent Company only balance sheet presents fairly in all material respects the other assets and liabilities of the Company as of December 31, 1968, and the accompanying statement of income and retained earnings presents fairly in all material respects the other income and expenses of the Company for the period from October 18, 1968 to December 31, 1968, in conformity with generally accepted accounting principles consistently applied.

Haskins & Sells

Denver, Colorado,
February 10, 1969

THE FIRST NATIONAL BANK OF DENVER



CONSOLIDATED BALANCE SHEET
FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	DECEMBER 31	
RESOURCES	**1968**	**1967**
Cash and Due from Banks	$157,768,234	$143,454,618
U.S. Government Obligations	61,037,105	58,567,038
Obligations of States and Political Subdivisions	41,417,073	42,084,102
Obligations of Federal Agencies	6,000,000	2,000,000
Other Securities	921,573	920,000
Federal Funds Sold	1,400,000	2,150,000
*Loans	332,708,778	289,264,822
Bank Premises and Equipment	15,059,918	15,456,957
Customers' Acceptance Liability	261,237	90,983
Income Earned, Uncollected	4,703,435	4,341,163
Other Assets	4,468,160	1,355,097
Total Resources	$625,750,513	$559,705,630
*After Deduction of Loan Reserve	$ 3,552,294	$ 3,463,699
LIABILITIES		
Deposits:		
(a) Demand	$330,634,483	$295,283,415
(b) Time	219,614,342	214,107,292
Total	550,248,825	509,395,707
Federal Funds Purchased and Securities Sold Under Agreement to Repurchase	21,614,607	-0-
Mortgages Payable	5,384,092	5,808,652
Acceptances Outstanding	261,237	90,983
Income Collected, Unearned	1,614,038	1,517,325
Other Liabilities	5,187,616	4,053,714
Total Liabilities	$584,311,215	$520,866,581
CAPITAL ACCOUNTS		
Equity Capital:		
Common Stock: 500,000 Shares Authorized and Outstanding, Total Par Value	$ 10,000,000	$ 10,000,000
Surplus	20,000,000	20,000,000
Undivided Profits	11,439,298	[illegible]
Total Capital Accounts	$ 41,439,298	$ [illegible]
Total Liabilities and Capital	$625,750,513	$ [illegible]

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THE FIRST NATIONAL BANK OF DENVER

CONSOLIDATED STATEMENT OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	DECEMBER 31	
	1968	1967
OPERATING INCOME:		
Interest and Fees on Loans	$ 20,912,503	$ 17,204,522
Interest and Dividends on:		
U.S. Government Obligations	2,842,052	2,465,723
Obligations of States and Political Subdivisions	1,491,168	1,325,226
Service Charges on Deposit Accounts	857,445	829,146
Trust Department	5,104,779	4,147,618
Other	2,454,636	1,423,418
Total	33,662,583	27,395,653
OPERATING EXPENSES:		
Salaries and Bonuses	7,188,115	6,262,810
Pensions, Profit Sharing, and Other Employee Benefits	852,713	1,085,060
Interest on Deposits	10,122,960	8,662,381
Interest on Borrowed Money	301,709	313,152
Net Occupancy – Bank Premises	841,861	760,507
Equipment Rentals, Depreciation, Maintenance	1,568,645	1,418,419
Other	4,013,543	1,900,292
Total	24,889,546	20,402,621
OPERATING EARNINGS BEFORE INCOME TAX	8,773,037	6,993,032
INCOME TAXES APPLICABLE TO OPERATING EARNINGS	4,127,050	2,840,458
NET OPERATING EARNINGS	4,645,987	4,152,574
Per Share (500,000 Shares)	$9.29	$8.31
NON-OPERATING ADDITIONS – NET AFTER TAX EFFECT:		
(All sundry other items)	36,825	12,940
NON-OPERATING DEDUCTIONS – NET AFTER TAX EFFECT:		
Net Security Losses	83,430	2,423
Transfer to Reserve for Loan Losses	266,208	293,260
Other	19,975	22,987
Total Non-operating Deductions	369,613	318,690
NET NON-OPERATING ADDITIONS (DEDUCTIONS)	(330,788)	(305,750)
TRANSFERRED TO UNDIVIDED PROFITS	$ 4,315,199	$ 3,846,824
PER SHARE (500,000 Shares)	$8.63	$7.69

THE FIRST NATIONAL BANK OF DENVER

CONSOLIDATED RECONCILEMENT OF CAPITAL ACCOUNTS FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	1968	1967
BALANCE, BEGINNING OF YEAR	$ 38,839,099	$ 36,392,275
Additions – Transferred from Statement of Earnings	4,315,199	3,846,824
Deductions – Cash Dividends Declared (per Share*: 1968, $3.43; 1967, $2.80)	(1,715,000)	(1,400,000)
BALANCE, END OF YEAR	$ 41,439,298	$ 38,839,099

*500,000 Shares Outstanding

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President

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President, The Denver and Rio Grande Western Railroad Company

SIDNEY L. BROCK, JR.
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President, Security State Bank Sterling, Colorado

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Investments

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Chairman of the Board, Mortgage Investments Company

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Physician, Pueblo, Colorado

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Predovich and Ward, Attorneys

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President, Silver Corporation

BARRY MOREY SULLIVAN
President, Morey Realty Company

RUSSELL T. TUTT
President, El Paso Investment Company, Colorado Springs, Colorado

MAHLON T. WHITE
Southern Colorado Banker

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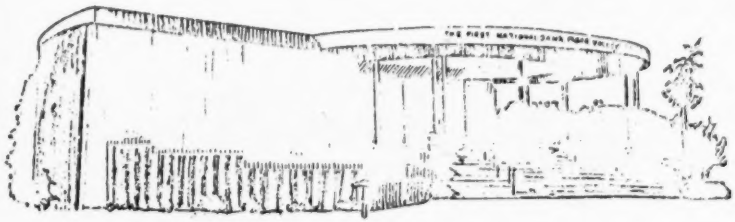
Retired Honorary Chairman

W. C. KURTZ
Retired [illegible]

JAMES A. WOODS
Retired and Honorary Attorney

*Member Executive Committee

THE FIRST NATIONAL BANK OF BEAR VALLEY



CONSOLIDATED BALANCE SHEET

	DECEMBER 31	
RESOURCES	**1968**	**1967**
Cash and Due from Banks	$ 828,731	$ 638,825
U.S. Government Obligations	1,269,658	1,208,621
Obligations of States and Political Subdivisions	656,281	210,919
Federal Reserve Bank Stock	12,450	12,000
*Loans	5,739,660	4,102,607
Bank Premises and Equipment	297,144	295,815
Income Earned, Uncollected	53,595	37,168
Other Assets	4,237	879
Total Resources	$ 8,861,756	$ 6,503,834
*After Deduction of Loan Reserve	$ 58,103	$ 49,790
LIABILITIES		
Deposits:		
(a) Demand	$ 3,480,495	$ 2,434,000
(b) Time	4,431,721	3,257,160
Total	$ 7,912,216	$ 5,691,840
Mortgages Payable	175,000	175,000
Income Collected, Unearned	155,575	55,021
Other Liabilities	54,030	40,515
Total Liabilities	$ 8,296,821	$ 5,962,376
CAPITAL ACCOUNTS		
Equity Capital:		
Common stock: 275,000 Shares Authorized and Outstanding, Total Par Value	275,000	275,000
Surplus	140,000	130,000
Undivided Profits	149,935	136,458
Total Capital Accounts	$ 564,935	$ 541,458
Total Liabilities and Capital	$ 8,861,756	$ 6,503,834

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CONSOLIDATED STATEMENT OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	1968	1967
OPERATING INCOME:		
Interest and Fees on Loans	$ 398,206	$ 302,686
Interest and Dividends on:		
U.S. Government Obligations	60,813	12,749
Obligations of States and Political Subdivisions	16,643	1,013
Other	116,138	89,252
Total	$ 593,800	$ 406,340
OPERATING EXPENSES:		
Salaries and Bonuses	150,891	104,122
Pensions, Profit Sharing, and Other Employee Benefits	15,584	12,119
Interest on Deposits	178,509	118,485
Interest on Borrowed Money	8,786	8,750
Net Occupancy – Bank Premises	26,092	24,777
Equipment Rentals, Depreciation, Maintenance	15,705	11,283
Other	107,243	68,312
Total	$ 502,810	$ 347,848
OPERATING EARNINGS BEFORE INCOME TAX	90,990	58,492
INCOME TAXES APPLICABLE TO OPERATING EARNINGS	19,018	20,953
NET OPERATING EARNINGS	71,972	37,539
Per Share (275,000 Shares)	$.262	$.137
NON-OPERATING ADDITIONS – NET AFTER TAX EFFECT (All sundry other items)	42	
NON-OPERATING DEDUCTIONS – NET AFTER TAX EFFECT:		
Transfer to Reserve for Loan Losses	30,200	12,220
Other	712	143
Total Non-operating Deductions	$ 30,912	$ 12,363
NET NON-OPERATING ADDITIONS (DEDUCTIONS)	(30,870)	(12,363)
TRANSFERRED TO UNDIVIDED PROFITS	$ 41,102	$ 25,176
PER SHARE (275,000 Shares)	$.149	$.092

CONSOLIDATED RECONCILEMENT OF CAPITAL ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	1968	1967
BALANCE, BEGINNING OF YEAR	$ 544,458	$ 533,032
Additions – Transferred from Statement of Earnings	41,102	25,176
Deductions – Cash Dividends Declared (per Share*): 1968, $.075; 1967, $.05)	(20,625)	(13,750)
BALANCE, END OF YEAR	$ 564,935	$ 544,458

*275,000 Shares Outstanding

DIRECTORS

*EUGENE H. ADAMS
Chairman of the Board

BRUCE D. ALEXANDER
Senior Vice President, The First National Bank of Detroit

LEE C. ASHLEY
Senior Vice President and Cashier, The First National Bank of Detroit

CLAIR A. BACON
Senior Vice President, The First National Bank of Detroit

ROBERT D. BINDER
Vice President

ROBERT G. BOUCHER
Vice President, The First National Bank of Detroit

EDWARD B. CLOSE, JR.
Partner, Hughes & Dwyer, Attorneys

RICHARD C. MECKLEY
Partner

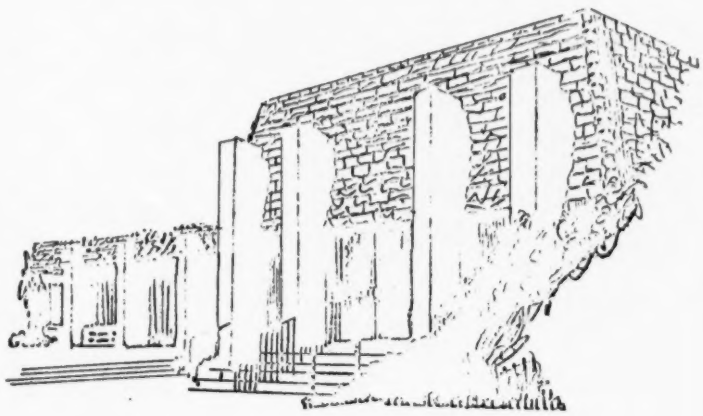
C. M. MILLIN
Secretary-Treasurer, Hutchinson Products, Inc.

JACK M. MUSE
Assistant Vice President, The First National Bank of Detroit

THOMAS P. O'HOURKE
Vice President, The First National Bank of Detroit

*Resigned February 21, 1969 †Elected Chairman of the Board, February 21, 1969

THE FIRST NATIONAL BANK OF NORTH GLENN



BALANCE SHEET

	DECEMBER 31 1968	1967
RESOURCES		
Cash and Due from Banks	$ 800,523	$ 567,325
U.S. Government Obligations	1,223,124	1,335,227
Obligations of States and Political Subdivisions	445,679	50,033
Federal Reserve Bank Stock	10,050	9,750
*Loans	4,937,011	3,648,233
Bank Premises and Equipment	155,999	103,113
Income Earned, Uncollected	49,046	27,563
Other Assets	4,691	2,731
Total Resources	$ 7,626,123	$ 5,749,975
*After Deduction of Loan Reserve	$ 54,199	$ 30,379
LIABILITIES		
Deposits:		
(a) Demand	$ 3,091,416	$ 1,973,382
(b) Time	3,878,074	3,220,617
Total	6,969,490	5,193,999
Income Collected, Unearned	120,370	61,327
Other Liabilities	52,783	41,298
Total Liabilities	$ 7,142,643	$ 5,296,624
CAPITAL ACCOUNTS		
Equity Capital		
Common Stock: 212,500 Shares Authorized and Outstanding, Total Par Value	$ 212,500	$ 212,500
Surplus	122,500	117,500
Undivided Profits	148,480	123,351
Total Capital Accounts	$ 483,480	$ 453,351
Total Liabilities and Capital	$ 7,626,123	$ 5,749,97[illegible]

THE FIRST NATIONAL BANK OF NORTH DENVER

STATEMENT OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	1968	1967
OPERATING INCOME:		
Interest and Fees on Loans	$ 357,100	$ 299,000
Interest and Dividends on:		
U.S. Government Obligations	75,983	12,921
Obligations of States and Political Subdivisions	10,863	585
Other	150,299	123,515
Total	$ 594,245	$ 436,021
OPERATING EXPENSES:		
Salaries and Bonuses	156,125	126,768
Pensions, Profit Sharing, and Other Employee Benefits	13,868	12,294
Interest on Deposits	184,096	125,636
Net Occupancy – Bank Premises	32,602	26,966
Equipment Rentals, Depreciation, Maintenance	13,309	11,329
Other	99,963	82,078
Total	$ 500,041	$ 385,071
OPERATING EARNINGS BEFORE INCOME TAX	94,204	50,950
INCOME TAXES APPLICABLE TO OPERATING EARNINGS	24,455	19,368
NET OPERATING EARNINGS	69,749	31,582
Per Share (212,500 Shares)	$.328	$.148
NON-OPERATING ADDITIONS – NET AFTER TAX EFFECT (all sundry other items)	162	
NON-OPERATING DEDUCTIONS – NET AFTER TAX EFFECT:		
Transfer to Reserve for Loan Losses	21,375	4,742
Other	2,469	
Total Non-operating Deductions	$ 23,844	$ (4,742)
NET NON-OPERATING ADDITIONS (DEDUCTIONS)	(23,682)	(4,742)
EARNINGS BEFORE EXTRAORDINARY ITEM	46,067	26,840
EXTRAORDINARY ITEM		
Income Tax Credit Resulting from Operating Loss Carryovers		5,335
TRANSFERRED TO UNDIVIDED PROFITS	$ 46,067	$ 32,175
PER SHARE (212,500 Shares)	$.217	$.151

RECONCILEMENT OF CAPITAL ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	1968	1967
BALANCE, BEGINNING OF YEAR	$ 453,351	$ 431,801
Additions – Transferred from Statement of Earnings	46,067	32,175
Deductions – Cash Dividends Declared (Per Share*: 1968, $.075; 1967, $.05)	(15,938)	(10,625)
BALANCE, END OF YEAR	$ 483,480	$ 453,351

*212,500 Shares Outstanding

DIRECTORS

*EUGENE H. ADAMS
Chairman of the Board

BRUCE D. ALEXANDER
Senior Vice President, The First National Bank of Denver

RAYMOND R. DANKS
Partner, Hughes & Dorsey, Attorneys

DONALD FERGUSON
Secretary, Strawn Realty Corporation

GLENN R. HAEFLIGER
Vice President

CLARENCE LILLER, JR.
Senior Vice President, The First National Bank of Denver

JORDON PERLMUTTER
Vice President, Perl-Mack Homes, Inc.

ROGER W. SMITH, JR.
President, Security Title of Adams County

HAROLD C. STILLMAN, JR.
President, Western Paving Construction Company

†CARROL I. STURRS
Senior Vice President, The First National Bank of Denver

WESLEY J. WATSON
Executive Vice President

*Resigned February 19, 1969 †Elected Chairman of the Board, February 19, 1969

THE FIRST NATIONAL BANK OF SOUTHGLENN

BALANCE SHEET

	DECEMBER 31 1958	1957
RESOURCES		
Cash and Due from Banks	$ 541,050	$ 303,225
U.S. Government Obligations	1,204,982	1,027,985
Federal Reserve Bank Stock	6,750	6,750
*Loans	2,468,158	1,847,657
Bank Premises and Equipment	18,491	17,744
Income Earned, Uncollected	23,555	15,920
Other Assets	5,917	[illegible]
Total Resources	$ 4,269,902	$ 3,219,[illegible]
*After Deduction of Loan Reserve	$ 25,728	$ 13,077
LIABILITIES		
Deposits:		
(a) Demand	$ 1,679,468	$ 1,104,353
(b) Time	2,176,245	1,743,4[illegible]
Total	3,855,713	2,847,[illegible]
Income Collected, Unearned	33,741	23,265
Other Liabilities	25,140	18,825
Total Liabilities	$ 3,914,594	$ 2,8[illegible]
CAPITAL ACCOUNTS		
Equity Capital		
Common Stock: 250,000 Shares Authorized and Outstanding, Total Par Value	125,000	125,000
Surplus	100,000	100,000
Undivided Profits	129,300	[illegible]
Total Capital Accounts	$ [illegible]	$ [illegible]
Total Liabilities and Capital	$ 4,[illegible]	$ [illegible]

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STATEMENT OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1968 and 1967

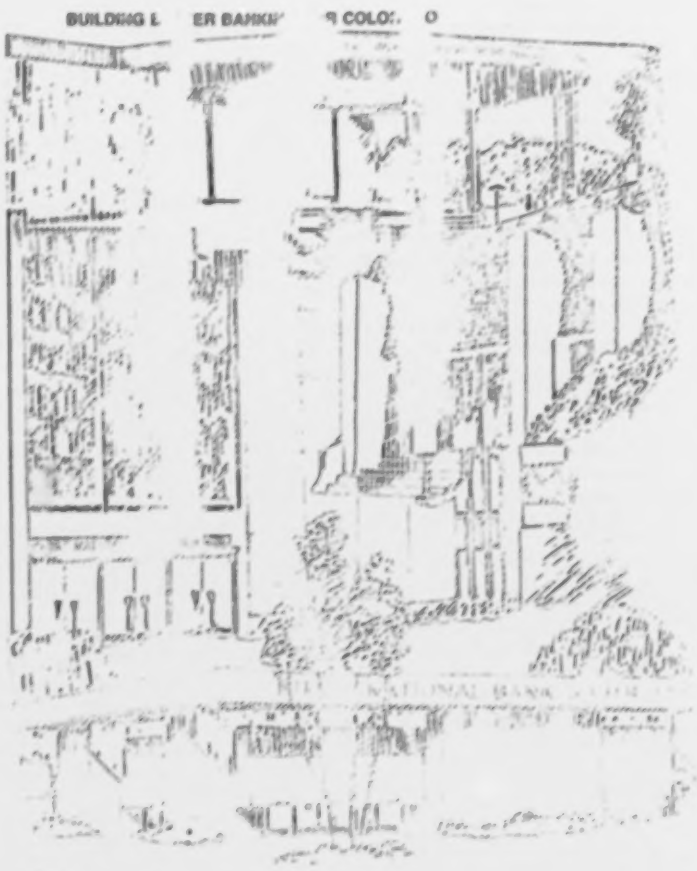
	1968	1967
OPERATING INCOME:		
Interest and Fees on Loans	$ 218,087	$ 153,990
Interest and Dividends on:		
U.S. Government Obligations	17,998	10,836
Other	64,903	50,330
Total	300,988	215,156
OPERATING EXPENSES:		
Salaries and Bonuses	77,156	51,078
Pensions, Profit Sharing, and Other Employee Benefits	7,304	2,562
Interest on Deposits	90,246	65,806
Net Occupancy – Bank Premises	14,171	13,233
Equipment Rentals, Depreciation, Maintenance	9,208	6,933
Other	54,698	40,830
Total	$ 252,871	$ 180,648
OPERATING EARNINGS BEFORE INCOME TAX	48,117	34,308
INCOME TAXES APPLICABLE TO OPERATING EARNINGS	15,115	8,430
NET OPERATING EARNINGS	33,002	25,878
Per Share (250,000 Shares)	$ 132	$ 104
NON-OPERATING ADDITIONS – NET AFTER TAX EFFECT (All sundry other items)	519	84
NON-OPERATING DEDUCTIONS – NET AFTER TAX EFFECT:		
Transfer to Reserve for Loan Losses	8,916	2,933
Other	289	10
Total Non-operating Deductions	9,205	2,943
NET NON-OPERATING ADDITIONS (DEDUCTIONS)	(8,685)	(2,859)
EARNINGS BEFORE EXTRAORDINARY ITEM	24,316	23,019
EXTRAORDINARY ITEM		
Income Tax Credit Resulting from Operating Loss Carryovers		2,628
TRANSFERRED TO UNDIVIDED PROFITS	$ 24,316	$ 25,647
PER SHARE (250,000 Shares)	$ 097	$ 103

RECONCILEMENT OF CAPITAL ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1968 and 1967

	1968	1967
BALANCE, BEGINNING OF YEAR	$ 329,993	$ 304,346
Additions – Transferred from Statement of Earnings	24,316	25,647
BALANCE, END OF YEAR	$ 354,309	$ 329,993

DIRECTORS

[illegible]



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Plaintiff's Exhibit 4

Alexander Deposition

The following excerpts are offered in evidence by plaintiff from the deposition of Bruce D. Alexander, President of defendant First National Bancorporation, Inc., taken by plaintiff November 18, 1970. Each excerpt is preceded by a reference to the page and lines of the transcript from which it is taken. Questions are by government counsel unless otherwise noted.

(p. 2 line 13—p. 4 line 5)

Q. (By Mr. Schoepke) Would you state your name for the record, please.

A. Bruce D. Alexander.

Q. Where do you reside, Mr. Alexander.

A. 290 Dexter Street, Denver, Colorado.

Q. What is your present employment?

A. President of the First National Bancorporation.

Q. Is that the same organization that is the defendant in the matter concerning which we are now holding this deposition?

A. Yes.

Q. Now, Mr. Alexander, the plaintiff in this matter served on the defendants a set of interrogatories. And I direct your attention to Interrogatory 30, the Answer to which was prepared by you according to a note at the bottom of that Interrogatory. I note from the Interrogatory that prior to your association with the bank holding company you were with First National Bank of Denver in two capacities that are listed here: head of the correspondent bank department and also head of the commercial loan department.

I wonder if you would give us a little more of your background from the time you entered college and went out into the world.

A. First of all, I was never head of the correspondent bank department.

I went to Williams College in Williamstown, Massachusetts in 1941. In 1942 I went into the United States Army Air Force, from 1942 to 1945, at which time I joined the United States National Bank of Denver where I worked for four years, leaving there in 1949.

During the time I was with the United States National

Bank I primarily worked in the loan department and the credit department. Then I went to work for the First National Bank of Denver as assistant cashier in the business development department for several years. Then I entered the correspondent bank department of the First National Bank in Denver in about 1951 or '52. I remained there until 1967, at which time I was assigned to the president of the bank on special duty to form the First National Bancorporation.

Upon completion of the application to form that holding company, I was assigned as the senior loan officer of the First National Bank of Denver, which position I held until September of 1969, when I was elected president of the Bancorporation and assumed that job on a full-time basis.

(p. 5 line 19—p. 7 line 5)

Q. (By Mr. Schoepke) Now, I believe you said a moment ago that when you considered this matter of organizing the bank in Northglenn you came to the conclusion that it would be a good business investment. Was that the term you used?

A. Yes.

Q. What led you to that conclusion?

A. Well, the developers, Perl-Mack Construction Company and the Perl-Mack group were very successful home builders, shopping center builders. The Northglenn area was obviously going to be a good development area in metropolitan Denver. The projection, as I remember it, was that some 40,000 people eventually would be living in that area. It justified the organization of a bank and it just seemed like a good business investment.

Q. You mentioned a projection. Could you tell us what if any other factors you considered in determining the economic prospects of this area?

A. Well, primarily it was the projected growth in the home building in that part of northern metropolitan Denver, plus the fact that there would be a regional shopping center in which a bank could be located. And so it was primarily the two things together. And in addition to that, of course, the First National Bank of Denver, like other major banks in non-branch banking states, had seen an exodus of their, you know, deposit customers going out of the downtown location. It was difficult for us to follow those customers to

the suburbs and wherever they went. And we obviously were interested in trying in some way to follow our customers as they began to move out of the downtown bank.

Q. Would you say that the Northglenn area was an economic growth area?

A. Well, it was pretty much of a bedroom community as such. There was not an awful lot of industrial business in the Northglenn area at the time we started the bank out there. And up to the present time there hasn't been too much business out there with the exception of the tremendous regional shopping center.

(*p. 9 lines 5-16*)

Q. (By Mr. Schoepke) All right. Now, did you conduct any investigations of the Bear Valley area at the time a decision to organize it as an affiliate was made?

A. We didn't do it ourselves, but we took the surveys and all the information which the Mortgage Investment Company group had themselves. In other words, they were the major developers of that shopping center and also the Bear Valley residential area. So they had many statistics which were sufficient to justify, in our own mind, that it again was a good business decision.

Q. Was it a growth area?

A. Yes.

(*p. 10 line 10—p. 13 line 2*)

Q. (By Mr. Schoepke) Did you conduct any economic studies of the Southglenn area?

A. Again, we used the construction information from the surveys which the Perl-Mack people had used. I think in that particular case we did use a Denver research institute who made a partial survey for us that we used in our application.

Q. Did you reach the conclusion that the Southglenn area was a growth area?

A. The Southglenn area had the potential of becoming a good growth area. It was not the same degree of growth area in any manner or means as Northglenn or Bear Valley was, as is evidenced by the slow growth that Southglenn had taken over the last three or four years. But generally speaking Denver was growing north, south, east and west,

and in due time there was no question that Southglenn would be a growth area, which is now the case.

Q. In conducting or considering the characteristics of the Northglenn, Bear Valley and Southglenn areas, did you at any time take into consideration the number of people in the area that might be needed to support a new bank?

A. Yes.

Q. I take it since you went through with the organization, you did it on the basis of your conclusion that there were enough people to support a new bank in that area?

A. Yes.

Q. Are these three subsidiaries now making money?

A. Yes. Northglenn is a good, profitable bank. Bear Valley is a good, profitable bank. Southglenn is doing reasonably well. It's not making as much money as the other two at the present time.

Q. Just for the record, Mr. Alexander, I direct your attention to your Answer to Interrogatory 1, which indicates that the First National Bank of Northglenn opened for business on November 14th, 1963; the First National Bank of Bear Valley opened for business on June 15th, 1964; and the First National Bank of Southglenn opened for business on November 30, 1964. Now, I would like to ask you now how did it come about that the First National Bancorporation of which you are president was organized?

A. (Consulting with counsel) Going back to some time in the 1950's—and I'm not sure what the dates are. If you want them I can get them for you—because of the exodus that I spoke of a short time ago of the personal accounts from the big downtown Denver banks into the suburbs and the inability of the banks like the First National Bank of Denver to follow their customers to the suburbs as the cities grew, management of the First of Denver had taken the position that branch banking could be a valuable asset to the growth of the State of Colorado and be in the best interest of banking and people in the community. Management again of the First National made an effort to try to get the state law changed permitting either limited branch banking in the metropolitan areas or eventually preferably state-wide controlled branch banking.

In two particular instances the matter was referred to the Colorado Banker's Association convention. And in

one case a study was made of branch banking. And in both cases the end result was that the law was not changed and the matter remained as it was in Colorado, a unit-banking state with no branching permitted.

Concurrently at that time, in 1958 and '59, in that area, Western Bancorporation bought three Colorado banks and Denver U. S. Bancorporation was formed and began acquiring banks throughout Colorado. And in 1967, because of this trend and because of our desire still to expand and to do a better job, both profit-wise and also banking-wise, and to follow our customers, we also made the decision then to form a registered bank holding company. That decision was made in May of 1967.

(*p. 16 lines 1-12*)

Q. (By Mr. Schoepke) Now, at the time that you were advocating branch-bank legislation, did your bank have any plans, if branch-bank legislation was passed, did your bank have any plans or contemplate any movement outside of the Denver area?

A. We had no specific plans insofar as branching outside the Denver metropolitan area, but it certainly was our intention to do so, depending upon what the legislation might have been.

Q. Had you formulated any plans as to whether you would proceed by acquiring other banks or by organizing new branches?

A. We had not gotten that far.

(*p. 18 line 23—p. 20 line 8*)

Q. (By Mr. Schoepke) Now, referring also, Mr. Alexander, to Interrogatory No. 34, the second page, first paragraph, "With the recent decision of the Bancorporation to become a state-wide organization, the opportunities for further de novo 'branching' will be considerably broader."

Would you tell us what coverage you would consider necessary in order to constitute yourselves a state-wide organization?

A. I think we would like to have a bank in the major cities of the State of Colorado and in the northeast farming section of Colorado, the Arkansas Valley, portions of the western slope, especially those areas which are so highly

devoted to the skiing and recreation areas and the mining areas. Generally those areas where the Bancorporation could serve the people in it and the industry of Colorado.

Q. Now, I gather from that first sentence of the first paragraph on the second page that you have not ruled out the possibility of de novo expansion in your overall plan.

A. No, we have not.

Q. In this respect, I notice in that same paragraph that reference is made to the fact—and I read—from the second sentence of that first paragraph on page two, "For example, attendant upon the acquisition of the First National Bank of Greeley, Bancorporation has obtained an option and is actively considering the establishment of a new suburban bank just outside Greeley."

I wonder, would you tell us something about that option, to whom it pertains?

A. The directors in an informal manner had an option to acquire one of two sites in the southern Greeley area which was adjacent to the large proposed shopping center.

May I ask Mr. Gilbert to mark it down, because——

Q. Well, we can ask him that. Do you know where that is located?

A. Yes.

(*p. 21 line 13—p. 25 line 14*)

Q. (By Mr. Schoepke) Could you locate where this option is to which you refer in Interrogatory Answer 34?

A. It is on the southeast corner of highway 34, the by-pass, and 23rd Avenue.

Q. And from whom was this option obtained?

A. The option ran from the owner of the land to the Monroe Corporation and was assigned by Monroe Corporation to Bancorporation.

Q. Do you happen to know, are there any plans for development of this area?

A. A proposed shopping center east of the site marked there, which that site is a part of.

Q. Is this option in written form?

A. The option from the land owner to Monroe Corporation is in written form. The assignment to the Bancorporation has not yet been affected.

Q. Are you familiar with the Monroe Corporation?

A. Yes, sir. It's a wholly-owned subsidiary—or it's a wholly-owned corporation of Mr. Robert Gilbert, president of the First National Bank of Greeley.

MR. SCHOEPKE: Off the record.
(Discussion off the record.)

Q. (By Mr. Schoepke) Now, would you care to correct your answer?

A. The corporation and the stock is owned by Mr. Robert Gilbert and his wife.

MR. SCHOEPKE: I will tender Alexander Deposition Exhibit No. 1 in evidence.

I wonder if this would be a good time for a short break.

(Short recess)

Q. (By Mr. Schoepke) I have been meaning to ask you, Mr. Alexander, going back to this option, just what is the nature of the option.

A. The option generally provides that the Monroe Corporation can buy a certain tract of land adjacent to the shopping center, and that the Monroe Corporation would see to it that the bank was organized within a certain period of time. I think it's about within a year by—I think you have a copy of it—but within approximately a year a commercial bank would be started.

MR. SCHOEPKE: Off the record.
(Discussion off the record.)

Q. (By Mr. Schoepke) Well, the reason I'm asking you these questions, Mr. Alexander, is that the Interrogatory Answer states that arrangements have been made—this is the last portion of the first paragraph on page two—arrangements have been made for assignment of the option to First National Bank of Greeley should this acquisition be enjoined.

Now, just what is the status of this option? Does the First National Bancorporation have it, and if so, in what form?

A. The option provided that this was an informal agreement between the directors of the First National Bank of Greeley, as I understand it, with the Monroe Corporation, that should the directors decide to organize a bank and exercise the option, that they would do so. There is no

agreement, as I understand it, for the option to be exercised or for a bank to be organized. If we are successful in acquiring the First National Bank of Greeley, we felt it only proper that we take over that option which was in effect. And if we are not successful in acquiring the First National Bank of Greeley, we wanted to give back the option to the Monroe Corporation at their request.

Q. Well, now, what is the nature of this agreement between your organization and the Monroe Corporation?

A. At the moment the option has been sent to counsel for the Bancorporation with the request that assignment be drawn up transferring that option to us. We have a verbal agreement that we will reassign it to the Monroe Corporation if we are not successful in acquiring the First National Bank of Greeley.

Q. Now, directing your attention to Greeley, the First National Bank of Denver has, according to the application filed with the Federal Reserve Board, a loan production office in Greeley, is that correct?

A. Yes.

Q. I wonder if you would tell us what that loan production office does.

A. In the summer of 1968 the First National Bank of Denver acquired the mortgage-servicing rights of the Mortgage Investment Company. At that time the Mortgage Investment Company had a loan production office in Greeley which was, just as it implies, a small office, I think of two individuals and a girl who takes applications for real estate loans. And these applications now are sent to the First National Bank of Denver for review, approval, and then are returned to the loan production office. No loans are closed there. No money is disbursed there. It's strictly just an interview office.

Q. What kind of mortgages are handled in that office?

A. Generally mostly they're construction loans, long-term real estate loans generally made in that part of Greeley and Weld County.

Q. Does this office do any mortgage servicing in the sense of collecting payments?

A. No.

Q. It merely solicits business?

A. Yes, just a loan production office. It just solicits business, and it has not been profitable. It has been our general intention to close it.

Q. And on whose behalf does it solicit.
A. First National Bank of Denver.

(*p. 25 line 22—p. 27 line 23*)

Q. I would like to direct your attention, Mr. Alexander, to the negotiations preceding the Greeley agreement which led to the application to the Federal Reserve Board for First National Bancorporation to acquire the First National Bank of Greeley. In this respect, I will direct your attention to Interrogatory No. 32, your answer, paragraph B. The first sentence indicates that the initial discussions were instigated by Mr. Robert Gilbert, who called Mr. Eugene Adams, president of the First National Bank of Denver, to determine whether or not Bancorporation would have an interest in acquiring 80 per cent or more of the outstanding shares of the First National Bank of Greeley. And after discussions among the officers of Bancorporation, Mr. Adams called Mr. Gilbert, indicating that Bancorporation was interested in discussing the acquisition of the First National Bank of Greeley.

Now, I would like to ask you, were you in any way involved in the discussion among the officers of Bancorporation which is mentioned in this sentence of the answer that I just read.

A. Yes.

Q. And when did this matter first come to your attention?

A. Let's see. I guess it's February or March of 1969.

Q. Just to refresh your recollection, paragraph A indicates that all meetings were in March of 1969. How did this matter come to your attention?

A. Mr. Adams called me after he had talked to Mr. Gilbert and asked me what I thought of the phone call and whether I thought we should be interested in having further discussions with Mr. Gilbert.

Q. And did you have discussion with any other officers of the Bancorporation concerning the maps?

A. I think it was a matter of principal participants in the meeting where Mr. Adams and Mr. Dorsey, chairman of the board, and myself and Mr. Close, secretary of the Bancorporation.

Q. I notice from the Answer that after these discussions, you then returned a call to Mr. Gilbert.

At whose instructions did you make that call?

A. Actually at the consensus of the meeting of the officers of the Bancorporation.

Q. For what reason did the officers of the Bancorporation consider it desirable to continue discussions with Mr. Gilbert?

A. This was about the time we were in the process of discussing the expansion of the Bancorporation, how it should be done and on what basis. We generally felt that it seemed reasonable, initially, anyway, to try to acquire banks in the largest centers of Colorado and acquire banks that were more comparable to the First National Bank of Denver; in other words, commercial-type banks as opposed to retail-type banks. And this seemed to fit that pattern.

(*p. 29 line 19—p. 32 line 7*)

Q. Now, when did First National Bancorporation and the First National Bank of Greeley reach a formal understanding concerning the acquisition by First National Bancorporation of the First National Bank in Greeley?

A. That was towards the end of March. I can pick out the exact date if you want it. But it was towards the end of March, 1969.

Q. Did you conduct any investigation of the Greeley area prior to that time?

A. No detailed investigation of the Greeley area, other than the fact that I personally had been very knowledgeable of Greeley for the last ten years because of my association with the correspondent bank with the First of Denver. I had spent much time in Greeley. I was knowledgeable with the banking situation there and of the Greeley situation, Weld County in particular, and the advent of Eastman-Kodak coming in the area, and just general knowledge.

Q. Well, in terms of the economy of the area, were you familiar with whether or not it was a growth area or stagnant area, or what was your knowledge concerning the economy of the Greeley area?

A. Weld County is—my knowledge of the area of Weld County itself, which is one of the most productive agricultural areas in the state. It's one of the better counties, one of the larger cattle-feeding areas. Greeley is the county seat of Weld County. And generally the northern part of Colorado has been experiencing overall growth.

Q. Was that one of the factors that induced you to look

favorably upon the acquisition of the First National Bank of Greeley?

A. Yes, plus the fact that we wanted to be represented in northern Colorado, and Greeley, as I mentioned before, in the larger cities with a bank that was comparable to the First of Denver.

MR. SCHOEPKE: Off the record.

(Discussion off the record.)

Q. (By Mr. Schoepke) Mr. Alexander, in connection with your express desire which you just noted, to be represented in Weld County, the northern part of Colorado, have you given consideration to acquiring any other banks in the Greeley area?

A. What do you mean by "the Greeley area"?

Q. For the purpose of my question, when I refer to the Greeley area, I refer to the City of Greeley and surrounding communities listed in the Complaint. Do you have a copy of the Complaint handy?

MR. METZGER: Yes, I do.

Q. (By Mr. Schoepke) For that purpose, that's in paragraph ten of the Complaint, where it defines the Greeley area as including Greeley and the towns of Evans, LaSalle, Peckham, Pierce, Gill, Eaton, Lucerne, Farmers and Bracewell?

A. No, we did not discuss or consider application for banks in those areas.

Q. Did any banks in those areas ever approach you with the possibility of joining your holding company?

A. No, no.

Q. Did any other financial institutions from that area ever approach you with regard to joining your holding company.

A. No.

Q. Were there any other banks in Weld County whose acquisition you considered?

A. Yes. We gave consideration to the First National Bank of Windsor.

(p. 33 line 14—p. 34 line 25)

Q. Now, for what reason was the holding company interested in the possibility of acquiring First National Bank of Windsor?

A. Primarily because of the entrance of the Eastman-Kodak Company into the Windsor area.

Q. And at the time you made this inquiry, other than the Eastman-Kodak matter, had you conducted any kind of an economic study of the Windsor area?

A. No, other than, again, my knowledge of Windsor and the area through my years in the Correspondent Bank Department.

Q. Now, prior to this contact with Mr. Ashley of Windsor, was the general economic nature of the area discussed among the officers of the Bancorporation?

A. Just in general. In other words, all of us were pretty cognizant and knowledgeable of the Weld County area.

Q. Were you all in general agreement that it was a growth area?

A. Overall.

Q. Well, then, after you established contact with Mr. Ashley through Mr. Clark, I gather from your Interrogatory Answer that you went to Windsor and carried on discussions with Mr. Ashley?

A. Yes.

Q. Could you tell us, to the best of your recollection, the substance of those discussions?

A. We discussed in general with Mr. Ashley the acquisition of controlling interest in his bank by the Bancorporation; generally the benefits that we could offer to the Windsor community as Eastman came in and began operations. We discussed what would be a fair price for his shareholders. We discussed how the bank would be operated, assuming that we did acquire it. It was just a general discussion of the overall holding company philosophy, prices and operation.

Q. Did you make him an exchange offer at that time?

A. We discussed that in detail, but we never were able to arrive at a satisfactory agreement.

(p. 36 line 13—p. 37 line 10)

Q. Well, first off, let me ask you, why is Bancorporation interested in acquiring the National State Bank of Boulder?

A. It's the same philosophy as we recently alluded to, that it's a reasonable size bank in one of the largest cities in Colorado, and to a degree it's a commercial-type bank allied with the type, or similar to the First National Bank of

Denver, following the organization pattern that I referred to.

Q. Are you familiar with the economic characteristics of the Boulder area?

A. Yes.

Q. Did those economic characteristics have any bearing on your interest in being represented in Boulder?

A. (Conferring with counsel) Our primary reason is—the bank gets the philosophy that we have referred to so far as getting into the larger cities initially in Colorado with banks that meet our general philosophy of management. Boulder is a good area.

Q. Is it a growth area?

A. It has shown some degrees of growth. But it's more of the philosophy than the growth area, because, as you know, we filed an application in Pueblo, which doesn't have the same degree of growth that Boulder or Greeley did.

(*p. 41 line 5—p. 42 line 10*)

Q. Now, Mr. Alexander, I would like to direct your attention to the next acquisition which you described in your Answer to Interrogatory 33. That's on the fourth page of the Answer. It's the Colorado Springs National Bank. You start out with this statement, "Senior officials of the Bancorporation were indirectly given to understand that Colorado Springs National Bank, a long-time correspondent bank, was to be offered for sale and that bids would be accepted only from the Bancorporation and Denver U. S. National Bank."

I wonder if you would tell us what you mean by the statement that senior officials of the Bancorporation were indirectly given to understand.

A. The Colorado Springs National Bank was a long-time correspondent of the First National Bank of Denver and one of its better correspondents by virtue of size of deposits relationship. This bank, in our discussions among ourselves in the expansion of the holding company was comparable to what I referred to before, policy-wise. In other words, Colorado Springs is a good city and this was a reasonably sized bank, comparable to the First National Bank of Denver. In other words, it was a meaningful bank in a meaningful city as a reasonable place to start our expansion program. When we discussed the possible acquisition of that

bank with the officials of the Colorado Springs National Bank, they indicated an interest. And as we indicated in the response, Mr. Adams and myself did meet with the representatives of that bank. During one of those meetings the implication came out that the directors of the Colorado Springs National Bank wanted to sell it but they wanted to put it out to the highest bidder between ourselves and the Denver U. S. Initially we did not know that we were in a bidding situation.

(*p. 51 line 20—p. 52 line 9*)

Q. Well, why were you interested in acquiring the Bank of Sterling?

A. Sterling is one of the better communities in northeastern Colorado. And his bank again fitted the pattern that we were trying to follow of being a reasonable bank in a reasonable community and more allied to our type of operation.

Q. Did you give consideration to acquiring any other banks in Sterling?

A. No.

Q. And whatever county it's in or section of Colorado?

A. No. It's in the application that we have had a very, very strong relationship with that bank for 40 or 50 years. One of the officers of the First of Denver was on that Board back in the late '20's. Mr. Brown's age is 48.

(*p. 53 line 17—p. 58 line 15*)

Q. Now, Mr. Alexander, there is on the Board of Directors of the First National Bank of Denver a Mr. Mahlon T. White, is that correct?

A. Yes.

Q. And you know Mr. White?

A. Yes.

Q. And according to your Answer to Interrogatory No. 12, he was elected to the Board of the First National Bank of Denver in October, 1968, is that correct?

A. Yes.

Q. Now, with respect to your Answer to Interrogatory No. 49, you indicated that Mr. Mahlon T. White owned 61 per cent of the stock of the First National Bank of Durango.

A. Correct.

Q. I would like to ask whether there has ever been any discussion by Bancorporation with Mr. White concerning the possibility of Bancorporation's acquiring the First National Bank of Durango, of which he owns 61 per cent.

A. No specific discussions in that regard, inasmuch as Mr. White is president, anyway, and he made it clear that he's not interested in selling any of his banks.

Q. Well, did anyone ask him whether he would be interested in disposing of the First National Bank?

A. No.

Q. Did you ask him individually at any time?

A. No.

Q. And you know of no officers of Bancorporation that might have discussed this question with him?

A. Well, I know of nobody that has done it directly.

Q. Now, according to the Answer to Interrogatory No. 9, Mr. Mahlon White also owns 77 per cent of the stock of the Fidelity Bank and Trust Company in Monte Vista.

A. Yes.

Q. Has there ever been any discussion between Mr. White and officers or employees of the Bancorporation concerning the possibility of Bancorporation's acquiring Fidelity Bank and Trust Company of Monte Vista?

A. None from the management of the Bancorporation. Whether any employee did, I don't know. But we have no interest in that bank.

Q. Incidentally, where is Monte Vista?

A. About ten or twelve miles north of Alamosa, down in the San Luis Valley. I can show it to you on the map.

Q. Along that same line of questioning, we note from Interrogatory Answer No. 49 that Mr. Mahlon's wife owns 8 per cent of the Minnequa Bank of Pueblo.

A. Yes.

Q. Has there been any discussion by Bancorporation or its officers and management with Mr. White concerning the possibility of acquiring the Minnequa Bank in Pueblo?

A. None that I know of.

Q. Now, a few moments ago you indicated that Mr. White had indicated that he was not interested in disposing of any of his banks; the were no discussions with him. I wonder on what basis your knowledge to that effect is.

A. I think the best way to answer that is that maybe because of his ownership of these banks, for background information, his father owned those banks, and when he died

he left most of the stock to his mother and to Mahlon's wife. And I think generally people have assumed that these would be the first banks which we would want to acquire. And as an answer to general statements, "When are you going to acquire those banks?" Mahlon indicated to whomever he was talking, and the word was released that he was not interested in selling those banks. That was the general answer. But I think it's indicative of the situation.

Q. But do you know to whom he made these statements? Did he make them to you?

A. No. Sort of a general discussion and the sort of impression that he let out. But we have never had any definite discussions about this matter.

Q. Now, getting back to Interrogatory No. 49, I see that he is also a director of the First National Bancorporation.

A. Not Mahlon White.

Q. William M. White, Jr., and that he is also a director of the First National Bank of Denver. Is there any relationship between Mahlon White and William White?

A. Brothers.

MR. METZGER: None other than that.

Q. (By Mr. Schoepke) Well, in connection with Mr. William White's stockholdings in other banks, I notice that he, according to Interrogatory Answer No. 49, owns some of the stock of the Bank of Aspen in Aspen, Colorado. And I wondered if there had ever been any discussion with Mr. William White as to the possibility of the acquisition by First National Bancorporation of the Bank of Aspen.

A. Only in a limited manner. I asked Bill at one point whether he would be interested in letting us acquire the Bank of Aspen. He said that he would, or that we would have to discuss the matter with his brother Mahlon who spoke for the bank and not him.

Q. And Mahlon White, according to Interrogatory Answer 49, also has about 3.68 per cent of the Bank of Aspen. Well, I take it, judging from your previous answers, that you did not discuss the Bank of Aspen with Mahlon White?

A. Right.

Q. Now, going back to William White, also I notice that he has about 7.6 per cent of the shares of the First National Bank in Alamosa, Colorado. And I would ask you similarly, have you yourself ever, or on behalf of Bancorporation, had

any discussion with William White concerning the possibility of acquisition of the First National Bank of Alamosa?

A. None whatsoever.

Q. Do you know of any other officer of the Bancorporation who has had any discussion?

A. I feel certain nobody has.

Q. On what do you base your certainty?

A. Just that it's never been discussed amongst us at all.

Q. Now, in the same vein, Mr. Alexander, there is listed in Answer to Interrogatory No. 49 a Mr. George R. Bauder, Jr., who is a loan officer of the First National Bank of Denver. And he owns 6.08 per cent of the shares of Metropolitan State Bank in Commerce City, Colorado. Has there ever been any discussion by Bancorporation with Mr. Bauder concerning the possible acquisition of the Metropolitan State Bank of Commerce City, Colorado?

A. No.

Q. Has there ever been any discussion of Bancorporation with anyone else concerning the possible acquisition of that bank?

A. No.

(p. 60 line 22—p. 63 line 20)

Q. I would like to direct your attention to defendants' answer to Interrogatory No. 15 which is concerned with stockholders of First National Bancorporation owning three per cent or more of the stock. In this regard, I notice that among the shareholders listed in that answer is an organization known as the A. V. Hunter Trust, Incorporated owning 165,000 shares, which is approximately 11 per cent of the shares of Bancorporation.

Could you tell us what is the A. V. Hunter Trust?

A. It is a charitable non-profit organization organized in perpetuity against the assets, which is the shares of the First National Bancorporation. It was organized, I believe, through the will of Mr. A. V. Hunter, who, from 1911 to 1913 or 1914, in that particular area, was chairman of the board of the First National Bank of Denver, and one of its major stockholders.

Q. Now, who administers that trust?

A. The chairman of that trust is Mr. Montgomery Dorsey.

Q. And is there any connection between the administra-

tion of that trust and the trust department of the First National Bank of Denver?

A. It's my understanding that the trust department holds in a safe-keeping account the assets, or some of the assets, of the Hunter Trust, but only in a safe-keeping capacity. They exercise no control over it.

Q. They exercise no management?

A. Well, it's technically called an agency account. In other words, it's just a safe-keeping account. They have no control whatsoever over it.

Q. Well, when you say an agency account, is it a discretion agency account? Is that what you mean?

A. It holds the certificates in safe keeping.

Q. There is no personnel in the trust department that does things with regard to the trust, other than from instruction by Mr. Dorsey or his appropriate agents?

A. That's right. The trust exercises complete control over the assets or distribution of any funds.

Q. Do you happen to know who the trustees of the trust are besides Mr. Dorsey?

A. I know some of them. I can't give you a full list. So if you want it, I'll give it to you. There are four or five. There's Bill Coors. Do you want me to get it for you? Would that be better?

Q. Well, we don't have to interrupt anything now, but if you could get it, that would be fine.

A. Okay. I'll get it for you.

Q. Maybe we can bring it into one of the later depositions.

A. Gene Adams is one.

Q. Well, when we talk to him we can get to it.

In this regard I notice that from Interrogatory Answer 50 the A. V. Hunter Trust also has 16 per cent of the Southern Denver National Bank in Glendale.

A. It's the South Denver National Bank.

Q. In Glendale?

A. Yes.

Q. Has there ever been any discussion to your knowledge with regard to the possibility of the acquisition of the South Denver National Bank by First National Bancorporation of Denver?

A. That's a good question. We've given consideration to it, but no formal discussion was ever made, because we don't believe that the Federal Reserve Board would approve.

MR. MARZAM: Off the record.
(Discussion off the record.)

Q. (By Mr. Schoepke) I also note that the A. V. Hunter Trust had 6.7 per cent of the stock of the Guaranty Bank of Denver. Need I ask the same question?

A. No, you don't need to.

Q. There has been no discussion at all of the possibility of acquiring it?

A. I'll tell you the whole story on all of them if you want to, but absolutely no discussion.

(p. 64 line 20—p. 68 line 8)

Q. (By Mr. Schoepke) Well, then, in this same vein, Mr. Alexander, the A. V. Hunter Trust, according to Interrogatory Answer 50, has about 12 per cent of the First National Bank in Grand Junction. Has there ever been any discussion with any of the trustees of the Hunter Trust with respect to the possibility of acquiring as a subsidiary of First National Bancorporation the First National Bank of Grand Junction?

A. No.

Q. Now, in the same Interrogatory Answer No. 50 there is an organization called Southern Colorado Banking Company which has 7.73 per cent of the outstanding shares of Bancorporation stock. Do you know what the Southern Colorado Banking Company is?

A. Off the record.

(Discussion off the record.)

A. Well, Southern Colorado Banking Company, as far as I know, is a partnership of which Frederick M. Farrar is a general partner. I have never seen a copy of the trust instrument or the partnership agreement.

Q. Do you happen to know of any other banks in which Southern Colorado Banking Company has an interest?

A. My understanding is that they own a controlling interest in the First National Bank of Pueblo and the Exchange National Bank of Colorado Springs.

Q. Now, on the list of major stockholders, I see that there is a Mary Alice Thatcher Jones owning 7.68 per cent of the Bancorporation stock. You mentioned that name earlier this morning, the Thatchers. To your knowledge, is this Mary Alice Thatcher Jones a part of this Thatcher family?

A. She is a niece of Raymond Thatcher, who was related to Mahlon Thatcher. And when Raymond Thatcher died, he left her 40,000 shares of the First National Bank of Denver.

Q. And you say she was married to Mahlon Thatcher?

A. No. She was a niece of Raymond Thatcher, and Raymond Thatcher was related to Mahlon Thatcher, who was the father of Fred Farrar's wife.

Q. The first name, Mahlon, does that connect Thatcher with White or is that a coincidence?

A. Well, Mahlon White is the grandson of Mahlon Thatcher.

Q. The next largest shareholder is a person by the name of Janet Estelle Shaw LaComp, who owns 6.17 per cent of the Bancorporation. To your knowledge, is she related in any way to Mary Alice Thatcher, the Whites or the Mahlon group?

A. No. She has a relationship—I've forgotten what it is—with the A. V. Hunters. There is no relationship at all to any of the Thatchers.

Q. Do you know what her relationship was to Mr. A. V. Hunter?

A. No, I don't. I think she was a niece of Mrs. Hunter, but I'm sure.

MR. LIPKOWITZ: Isn't she related to Oliver LaComp who is a director of the First National Bancorporation?

A. Yes. Aly LaComp is her husband.

MR. METZGER: Off the record.

(Discussion off the record.)

Q. (By Mr. Schoepke) Among the major stockholders of Bancorporation is an organization called Dake and Company, which has 5.91 per cent of the shares of Bancorporation stock. What is Dake and Company?

A. It's a nominee of the trust department of the First National Bank of Denver.

Q. And then the next largest shareholder I have is an organization known as Skelton and Company, which has about 4.3 per cent of the shares of Bancorporation. Do you know who Skelton and Company is?

A. It's a nominee of a bank, I think, in New York City. But it is a nominee of a major bank. I'll find out which one it is if you want it.

Q. All right. If you would, I would appreciate it. Going

back to Dake and Company, just for the record, would you explain in what way and for what purpose Dake and Company is used as a nominee by the trust department of the First National Bank of Denver, if you know?

A. It's just a mechanical means of holding title to shares which are in various trusts. For the most part, all securities owned or held in the trust department of the First National Bank are issued in the name of Dake and Company. It makes it a lot easier for them to handle securities and sell them and trade them and so forth. Some of the shares in Dake and Company are of course held in various types of trusts; some just an agency account, and some in safe keeping.

Q. Does Dake and Company exercise voting rights of the shares of Bancorporation that it holds as a nominee?

A. In some cases, yes, and in others, no. You would have to have a complete breakdown of all the shares in the trust. And I think that you can find the answer to that in any one of our applications to the Federal Reserve Board.

Plaintiff's Exhibit 5

Adams Deposition

The following excerpts are offered in evidence by plaintiff from the deposition of Eugene H. Adams, President of The First National Bank of Denver and Director of defendant First National Bancorporation, Inc., taken by plaintiff November 23, 1970. Each excerpt is preceded by a reference to the page and lines of the transcript from which it is taken. Questions are by government counsel unless otherwise noted.

(p. 2 line 7—p. 10 line 6)

Q. (By Mr. Schoepke) Would you state your name for the record, sir, please.

A. Eugene H. Adams.

Q. Where do you reside, Mr. Adams?

A. Actual address?

Q. Yes.

A. 1201 Williams Street, Denver.

Q. And your present occupation?

A. Banking.

Q. What bank?

A. President, First National Bank of Denver.

Q. How long have you been President of First National Bank?

A. Since October of 1951.

Q. '51?

A. No, I'm sorry, '61—I beg your pardon, '61.

Q. Could you trace very briefly your career in banking from the time you first entered the field.

A. I started with the International Trust Company in September of 1934, which was the fall after I graduated from college, so I have never been in anything but banking.

In 1939, I became a junior officer of that bank. In 1944, I became a senior officer and a director. I was still in the Trust Department, which is where I started.

In April of 1951, I became President of the bank, and I continued in that capacity until it was merged with the First National Bank of Denver in August of 1958, at which time I became Executive Vice President of this bank. And then I became President in October of '61, when Mr. Evans moved up to Honorary Chairman of the Board, and I have been President ever since—up till now, anyway.

Q. Mr. Adams, I would like, if I may, to direct your attention to the defendant's answer to Interrogatory 30, which was served by the plaintiff in this case. At the beginning of the answer that is concerned with you, your name is there and the second sentence of the answer reads as follows: "Since August 23, 1963, when the first of a series of applications was filed, Mr. Adams has been in an executive capacity and as such was a member of the group which made the final decision to proceed in each instance."

I wonder if you would tell us, with respect to the organization of the First National Bank of Northglenn, how it came about when the decision was made to organize that bank.

A. Well, I assume—that is the date when the application for a charter at Northglenn was filed, and at that time the Northglenn Shopping Center and Northglenn residential area had become a substantial area in population and in importance in northwestern Denver, and we determined at that time that we would apply for a charter for an affiliate bank out there, with the Comptroller of the Currency, and offer the stock along the line to our own stockholders to make it, of course, a legal affiliate. And the chips fit in place as we went along with that one, and then I think in November that bank actually was granted the charter, and it started

in November in a little bitty house out there. And then it was followed by the—Bear Valley was second, and then Southglenn bank was the third of the affiliate banks for which we applied for charters.

Q. Well, how did it come about that you applied for a charter for the Bear Valley bank?

A. Well, remember, there was no bank in Northglenn when we applied, there was no bank in Bear Valley when we applied, there was no bank in Southglenn when we applied, and there were no banks within two or three miles, I think, of any of the three of them. They were rapidly growing suburban areas of Denver into which we wanted to extend our services, and this was the vehicle which we adapted to extending those services.

Q. So that your last answer is generally applicable to all four of the affiliates which you organized about that time?

A. Well, three.

Q. Three?

A. Three. We only have four units altogether at the moment.

Q. Now, did you participate in any way in the determination to organize a holding company?

A. Yes.

Q. And what was your function with respect to that matter?

A. Well, as President of this bank and a member of the Board, I was one of the group who made the decision to form a holding company, and when it was formed, as I am sure you know, I became President until the summer of 1969, I believe it was, when Mr. Alexander was named President.

Q. When was the question of organizing a holding company first discussed, to the extent, of course, that you were engaged in its discussion?

A. Well, I'd have to—I can't remember a specific date, Mr. Schoepke, but I have to hark back there to probably the time when the Denver U.S. National made its decision to apply or to try and form a holding company, and that obviously would have focused our attention immediately on the question, because they are and have been our chief competitor for ever since our two banks were merged in 1958.

You remember that the Western Bancorporation has been here in Colorado since 1956, but cannot go any farther because we have no specific state law permitting them to do

so. We also had the First Colorado Bancshares, which is the so-called Carney-Weckbaugh group of four banks in the Denver area, which has been in existence for ten years, I guess—just guessing at that.

But when the Denver U.S. decided to form a holding company—I don't remember exactly when this was, about late 1963 or 1964, somewhere in there—we obviously had to give it immediate consideration, beginning at that time, as to what we were going to do.

Q. Mr. Adams, I would like to direct your attention to Interrogatory Answer No. 32, which is concerned with the Greeley application, and Section B of the answer, the first sentence, reads as follows: "The initial discussion was instigated by Mr. Robert Gilbert, who called Mr. Eugene H. Adams, President of the First National Bank of Denver, to determine whether or not Bancorporation would have an interest in acquiring 80 percent or more of the outstanding shares of the First National Bank of Greeley."

I wondered if you could tell us, to the best of your recollection, what took place at this initial contact, and to the extent you can recall, what Mr. Gilbert said to you and what you said to Mr. Gilbert.

A. Well, Mr. Schoepke, I respectfully suggest that the answer here is the gist of the conversation. It wasn't very long. He simply asked me, as indicated here, if we would have an interest in acquiring their bank for the holding company, and I said, "Well, I would like to discuss this with my associates, but I think probably we would."

And after talking to my associates, we concluded we very definitely would, and then from that point on Mr. Alexander, aided by Mr. Close, became our negotiators, with Mr. Gilbert and Mr. Eaton and the rest of them up there.

Q. It is indicated in the second sentence of this answer, and you have also alluded to it just now, that after you had your first discussion with Mr. Gilbert—or vice versa, however you prefer to put it—that there was a discussion amongst officers of the Bancorporation about Mr. Gilbert's contact with you. Now, among what officers was the matter then discussed with you, by you?

A. Well, certainly with Mr. Alexander, with Mr. Close, with Mr. Dorsey. I don't recall exactly, but I'm sure that the four of us were parties to the decision.

Q. Was this discussion just one discussion, or was it a series of discussions?

A. Well, I can't recall specifically whether there was more than one or not. I don't think, as a practical matter, that a decision like this would necessarily take a series of discussions. We either wanted to talk to the bank at Greeley or we didn't. I mean, I think it is almost as simple as that.

Q. Well, now, with respect to this discussion, could you tell us why it was that the officers of Bancorporation were interested in conducting further discussions with Mr. Gilbert?

A. Well, you mean why did we want to be in the Greeley area?

Q. Well, if you'd like to answer it in that way, that's fine.

A. Let me answer it this way. Obviously, we want to be in the Greeley area. The Weld County Bank at that time was gone to the United Banks of Colorado. The Greeley National Bank, which is the largest bank in Greeley, was probably out of consideration because of its size.

The First National Bank of Greeley had been an extremely old correspondent of ours, although we were not at the time a major Denver correspondent with First National Bank of Greeley. And we were very anxious, as I say, to get into the Greeley area, because it is one of the best towns in northern Colorado, and has been for many, many, many years a great agricultural area, and a fine area. And we would very much like to have a unit up there in Greeley.

Q. Now, could you tell us, if you know, whether there was any investigation of the convenience and needs of the City of Greeley for the services or the presence of your holding company in Greeley, prior to the negotiations that were conducted with Mr. Gilbert?

A. Do you mean by us or by anyone?

Q. By you. And here again, I have to tie it to your knowledge.

A. Well, we have been in the Greeley area as a correspondent bank for a long time, we know the Greeley area very well, we like the Greeley area very well, and we wanted to be in there personally, let's say, rather than through a correspondent relationship, because it is one of the growth areas of Colorado and we'd like to be in it.

(Recess.)

Q. Mr. Adams, did I understand you correctly a moment ago that you said that Greeley National was out because of its size, as a possibility for acquisition?

A. Well, let me restate that, if I may. It was the largest bank, and as the largest bank in Greeley, I think at the time was the largest bank in northern Colorado. It had at least one legal affiliate of its own at that time, or even two. Were there two? Anyway, it was a very independent type of bank and a very well-run, very well-managed bank, and considering its size and its management and the fact that it has two legal affiliates, there just wasn't any point in pursuing it at all.

And you don't like us to seek the first bank in any community anyway, I understand; and we wouldn't, under normal circumstances—we would not do it.

Q. Well, do I understand that you felt that you might not be able to get Federal Reserve Board approval?

A. Right.

(*p. 12 lines 3-11*)

Q. Could you tell us how it came about that the holding company first came to the point of giving consideration to acquiring a bank in Colorado Springs?

A. Well, I think the answer to that one, Mr. Schoepke, must be obvious. Colorado Springs is the number one growth area of the State of Colorado, and is obviously an area in which we would like to participate. It is growing extremely fast. The population has, I think, doubled in the last ten years. And we would very much like to have a unit there.

(*p. 14 lines 7-11*)

Q. Well, could you tell us why you had an interest in acquiring the bank when Mr. Sayre first approached you?

A. Well, here again, Boulder is the second fastest growing area in Colorado, and here again, we would obviously very much like to be in the Boulder area. . . .

(*p. 17 lines 5-11*)

Q. Well, now, you did reach an agreement to acquire the bank at Sterling. Could you tell us why First National Bancorporation is interested in acquiring an affiliate in Sterling.

A. Well, because, number one, Sterling again is—not a dynamic growth area of the state, but it is in a growing area, it is in a fine agricultural area of the state. . . .

Plaintiff's Exhibit 6

Ashley Deposition

The following excerpts are offered in evidence by plaintiff from the deposition of Lee C. Ashley, Senior Vice President and Cashier of The First National Bank of Denver and Treasurer and director of defendant First National Bancorporation, Inc., taken by plaintiff November 20, 1970. Each excerpt is preceded by a reference to the page and lines of the transcript from which it is taken. Questions are by government counsel unless otherwise noted.

(p. 2 line 9—p. 14 line 2)

Q. (By Mr. Brenan) Would you state your full name for the record, please.

A. Lee C. Ashley.

Q. What is your address, Mr. Ashley?

A. 983 South Adams Way, Denver 80209.

Q. And what is your present employment?

A. Senior Vice President and Cashier of the First National Bank of Denver.

Q. Do you also hold any other positions with the First National Bank of Denver or First National Bancorporation or any of its subsidiaries?

A. Yes.

Q. Could you outline those positions, please.

A. I am presently Chairman of the Board of the First National Bank of Bear Valley, and I am also a member of the board of the First National Bank of Southglenn. I am a member of the board of the First National Bancorporation and its Executive Committee, and its Treasurer. I believe that is about it.

Q. Are you also a Vice President of the First National Bank of Southglenn?

A. That's right, yes, I am.

Q. And in addition, are you in charge of the Operations Department of the First National Bank of Denver?

A. Yes.

Q. Is that as part of your job as Senior Vice President?

A. Correct, or Senior Vice President and Cashier.

Q. How long have you held the position that you now hold with the First National Bank of Denver?

A. About twenty-two years.

Q. And how long have you been with the bank in total?

A. Forty years and five months.

Q. Could you state roughly how your time is divided, in other words what percentage of your time is spent in each capacity?

A. Well, let me start with the First National Bank of Southglenn: Attending board meetings once a month, and infrequently Loan and Discount Committee meetings. That is about all the time I spend at present.

Presently, as Chairman of the Board of the First National Bank of Bear Valley, attending Discount Committee meetings maybe twice a month and board meetings once a month, and certain other committee meetings infrequently.

On the First National Bancorporation, attending Executive Committee meetings monthly and board meetings monthly—no, board meetings quarterly, pardon me; and as a member of the Executive Committee, participating in the deliberations of that committee.

And as far as the First National Bank of Denver is concerned, I would say it takes about ninety per cent of my time.

Q. Now, the answer to Interrogatory 30 indicates that you were active in the formation of the three affiliate banks which are now also subsidiaries of the First National Bancorporation.

A. Yes.

Q. Could you, taking them one by one, describe your role in the formation of First National Bank of Northglenn.

A. I was a member of the board upon its formation. I was active in its Building Committee, which became active about six months or a year after the bank started. I participated to a degree in review of loans, loan applications. I think that is about it.

Q. Well, did you have anything to do with the actual decision to establish that bank?

A. I don't really know to what extent I participated. I participated in the discussions, yes, and recommended the decision be made, as one of several, yes.

Q. Could you describe what factors led you to recommend that this bank be established?

A. Well, there were a number. I assume that the most important would be that it provided one way for our bank to go where its present or prospective customers reside, at least in that quadrant of metropolitan Denver. I think this was perhaps the overriding consideration.

Q. Were there any particular characteristics about the

Northglenn area that made that an attractive area to locate an affiliate in?

A. Well, I think our real motive in Northglenn, as well as the others in turn, is basically to go where our customers, as I say, are located. It seems to us that increasingly personal accounts are opened at a bank that is convenient to the residence, rather than where they work, at least to a considerable degree, and a lot of the population in Denver seems to be attracted to that area, and a lot or quite a number of our existing and potential customers live in that general quadrant of metropolitan Denver.

Q. Well, at that time, then, did you consider this to be a growth area in terms of population?

A. Oh, I think we had a feeling that it was growing, yes. It is a new area. There wasn't much in the way of history to go on, but it's a relatively new area, was at the time.

Q. I believe, then, the next affiliate that was formed was the First National Bank of Bear Valley. Could you describe your role in the formation of that bank.

A. Less directly involved than at Northglenn, but nevertheless was asked my opinion about it, and I again expressed my personal view that it would be a proper thing for the bank to consider, and substantially for the same reasons as at Northglenn, but simply applied to another quadrant of the metropolitan area.

Q. Would you say, then, that you also considered the Bear Valley area to be a growth area in terms of population?

A. There certainly has been some growth out there, yes.

Q. Was there anything else that particularly made that an attractive area to locate an affiliate?

A. Yes, because the level of average income appeared to be attractive. It appeared and does appear to be a stable kind of community. It seemed to us that there were real potentials, and we had some people living in that area who were employed by our bank, and so they contributed some first-hand knowledge of the area. It seemed like an attractive opportunity.

Q. And the third affiliate formed was the First National Bank of Southglenn. Could you describe your role in the formation of that bank.

A. I would say very similar to the other two. I don't characterize my connection as being much different in any of the three banks, basically, although I think it was perhaps more active in Northglenn than directly at Bear Valley.

However, in Southglenn I did participate in the consideration of the matter and in the decision that we would enter that area.

Q. And were you in favor of that decision?

A. Yes.

Q. Could you explain why Southglenn was an attractive area to locate an affiliate?

A. Well, I think I personally felt convinced at the time that, although it did not appear particularly attractive at the moment, that it might at some future time, perhaps three or four years down the road. I personally felt, on the other hand, convinced that we would very probably lose money at that bank for at least the first year or two; but I felt, as I say, that it should be, hopefully, in the future an attractive area.

Q. Has that proven to be true?

A. Yes.

Q. Would you say, then, that you also felt that the Southglenn area, at least in terms of the future, was a growth area in terms of population?

A. At the time we went in there, it didn't really seem to be particularly, not where the bank was located, and it's been much slower in that regard, frankly, than we expected. We still are glad we have the bank there, but its growth really has been less dramatic than I guess anybody would have hoped.

Q. In other words, when you located the banks, you anticipated more growth than has occurred?

A. Yes.

Q. How long did it take for the First National Bank of Northglenn to be a profitable operation?

A. Well, I certainly would be guessing. I don't honestly remember. I would say that it took about a year at Northglenn, a little less than that at Bear Valley, and a little more than that at Southglenn.

Q. All right, thank you.

A. That is, if—and I think I should qualify that comment to this extent—that these banks on their own, in my mind, would have had a very difficult time, without some help from us here.

Q. Could you describe the nature of the help that the First National Bank of Denver gave to these banks?

A. Well, I think it would cover the broad spectrum of the

entire operations of each institution. I think it would be, number one, people; we contributed personnel that had some experience. I think this is the most important single thing.

We contributed advice on services. We contributed man power for specific situations, that the banks themselves would not have been able to supply.

For example, if we wanted to find out something more about the community, this bank would lend its help and experience and knowledge in obtaining that information, to assist each one of the banks concerned. So I would say it was, number one, experience and people, and number two, the broad background of this bank that, of course, was not present in those particular areas.

Q. You also participated in the decision to form the First National Bancorporation. Could you describe your role in that formation.

A. Well, I was one of the founders along with the other officers, and did participate in discussions with the other officers, and in turn at least was present during the discussions of such a possibility in our own bank board. I am not a member of our board, but as Secretary I was probably—I would say that I did participate in the discussions, in the considerations that led to the formation of the Bancorporation.

Q. Were you in favor of the formation of it?

A. Yes.

Q. Could you explain why?

A. Well, for many reasons. First of all, I might make a personal comment, that in my opinion Colorado is a very backward state in not adopting a statewide branch banking system, and I still feel this way.

Since that avenue was closed, there appeared to be only two vehicles open for us to broaden our services more widely throughout the area, and to meet the growing needs of customers. One would be affiliate banking and the other would be a bank holding company; and we chose, for a number of reasons, to adopt the bank holding company route as more nearly fitting the—a logical alternative to the unavailable statewide branch banking avenue.

Q. Did you then view this as a way in which First National Bank of Denver could expand and become a statewide organization?

A. I think I would say that it is our hope to be repre-

sented as broadly as we can. If you say "statewide," I don't know what you mean by that term. If you mean literally being represented in every area of the state, I would suggest this probably is not realistic; but nevertheless, we do and did at the time, and do hope that we can be more broadly representing our services throughout the area.

Q. Was there any discussion, at the time that the Bancorporation was formed, as to how you would bring your services to other areas in the State of Colorado?

A. I don't think so, except to assume that each case would be different, and that each case should be handled as an individual situation, depending on the locality concerned, but with the objectives that I have mentioned.

Q. When you say "each case," what exactly are you referring to there?

A. Well, it might appear very advantageous to attempt to broaden our services in one community, and it might be very foolish to do so in another.

Q. Were there any discussions as to how you would bring your services to any particular community?

A. I think one—I would characterize our concept of opportunities as being varied. As indicated, prior to the formation of the Bancorporation, we thought that at least in metropolitan Denver there might be some advantage in trying to locate in the outlying areas of the City and County of Denver.

As far as outlying areas beyond that are concerned, I think our first preference has been made evident by our application, as representing our preference. And I think at least to us it seems obvious that if we are going to attempt to offer our services in the major population centers of Colorado, that we had best do it by utilizing existing experience in those areas, rather than our trying to either start a new bank in some suburban part of such a community, or even de novo. It seems to us our best opportunity would be, as I say, as characterized by the way in which we have so far filed our applications. I think this speaks for itself.

This is not, I might say, to rule out—and I think I did emphasize that we consider that different communities call for a different approach. The fact that we have filed in some of the major centers so far is not meant to indicate that this is going to be our only approach, because it isn't, and I think you gentlemen are aware of some other ideas that this bank is thinking of, through your sources of information.

So I don't think it should be said that this bank is committed to one way of trying to extend its services outside of metropolitan Denver.

By Mr. Schoepke:

Q. Could I just interpose one short question? Mr. Ashley, a moment ago, you indicated that in connection with your general goal of extending your services in the state, that it might be advantageous to bring your services to one community and foolish to——

A. Right.

Q. ——to attempt to do it in another. I wonder if you would expand on that and tell us what considerations are involved.

A. Well, I can think of an obvious situation where a population in a particular locality is so small that it would be pointless, it would be extravagant and poor business judgment for us to attempt to form a bank in that particular area. There are many small towns in Colorado that, at least in my personal opinion, would not be fruitful, profitable areas for us to enter, or ones that offer great potential. There are some areas that are declining in importance. So I think this is a matter of business judgment. There is no magic about it.

Q. Well, now, what general considerations would enter into your determination as to the areas that might be advantageous to enter?

A. Those that are stable and offer a chance for the bank to do two things, to do what any business, I assume wants to do, and that is to invest profitably and in so doing to serve the public, to serve the consumers, the customers. And I don't think our objectives are any different in that sense from anyone else.

By Mr. Brenan:

Q. Just one more question on the subject. I take it from what you said before that Bancorporation has not ruled out expanding de novo outside of the metropolitan Denver area, is that correct?

A. No, we haven't ruled it out. I am not personally aware of any situation where we are considering precisely that route. We are thinking of an industrial bank in Loveland. I don't know whether you'd call that de novo or not. In a sense this is taking advantage of local know-how to a degree.

True, it is an industrial bank, and I would be the first to say that an industrial bank and a commercial bank are not the same type of animal; but this is the only one currently that we are thinking of specifically that we might approach with a de novo application. But I would certainly, in my own mind, not rule out the possibility, if the conditions seem favorable.

(p. 15 line 5—p. 20 line 4)

Q. Mr. Ashley, were you involved in the negotiations leading up to the agreement to acquire the First National Bank of Greeley?

A. No, not except very indirectly, as a member of the Executive Committee, as a member of the board of the corporation, of course—in those capacities only. Mr. Alexander did discuss some of the things with me as a matter of courtesy, but I didn't—no, I did not participate directly.

Q. Did you vote in favor of the acquisition of the First National Bank of Greeley?

A. I certainly did.

Q. Would you explain why.

A. Well, for all the reasons that are involved in the First National Bancorporation's philosophy that since there is no such thing permitted as statewide branch banking in Colorado, and assuming we wish to grow and be healthy, offer additional services, fulfill a role in not only the Denver community but throughout the area in the best way we can, one of the ways and perhaps the best way available to us is to, in our opinion—was to enter such an area as Greeley, which appears to be a stable area. It has had a very fine history of contribution to the state. We think Mr. Gilbert is an able individual, we think he runs a good bank, basically, and we think this would provide us a perfectly natural opportunity to fulfill the role that the First National Bancorporation visualizes.

Q. Did you play any part in any of the other proposed acquisitions of First National Bancorporation?

A. Yes. First, as a member of the Executive Committee of the Bancorporation, secondly as a member of the board of the Bancorporation, and thirdly as an officer of the Bancorporation; I did in those capacities—yes, I did participate to a degree.

Q. Well, perhaps it would be best to take them one by

one. Could you explain what role you played in the decision to acquire the bank in Colorado Springs?

A. I had nothing to do directly with the negotiations. When the negotiations had advanced to a point where it was deemed advisable to present the recommendation to the Executive Committee, it was only at that point that I participated.

Q. And could you describe your participation from that point on.

A. Well, the recommendations having been made and carefully reviewed, first with the Executive Committee, I participated in that consideration and was in favor of the application.

Q. Why were you in favor of that particular application?

A. I would consider my affirmation or my agreement to that, or my recommendation of approving that, would be the same basically as in the case of Greeley, and the same as far as Pueblo is concerned.

Q. Was your role in the Pueblo application similar to your role with Greeley and Colorado Springs?

A. Right.

Q. How about the application for the bank in Sterling? What role did you play there?

A. No different.

Q. And were you in favor of that acquisition?

A. Yes.

Q. Could you explain why.

A. Well, that part of the state is one that, in my opinion, we could well enter. Sterling is not one of the dramatically increasing in population areas. However, it is a stable area; it is nevertheless an important agricultural segment of the state.

We think the bank is well managed, as testified by the fact that we brought in as Executive Vice President of this bank the erstwhile President of that bank. So again, we view this as being another opportunity to enter an area and broaden services in an area in which we are not represented.

By Mr. Schoepke:

Q. Mr. Ashley, you stated that you were not represented in Sterling. You have a correspondent bank there, do you not?

A. Yes.

Q. Who is your correspondent, if you know?

A. Security State Bank.

By Mr. Brenan:

Q. Could you describe what part you took in the decision to acquire the bank in Boulder.

A. Well, my participation in that is basically no different from any of the others. In none of these, including those that you have not yet mentioned, have I been directly connected with the direct negotiations. It is only when negotiations have reached a point that Mr. Alexander or Mr. Alexander and Mr. Close make a recommendation to the Executive Committee, that I begin to actively participate, where my views as a member of that committee are requested, and further after that, as a member of the board.

Q. Could you give us your views as to the Boulder application.

A. I am highly in favor of our making that application. I think it would be a proper addition to the First National Bancorporation.

Q. Why do you feel that would be a proper addition to the Bancorporation?

A. Well, just like the other areas, it is a very important population center of Colorado; it is one that has some growth and certainly has a history of stability. This is a bank we know well. We think we know what we are getting into. We think the bank needs help and we think we can make out of that bank something that would be a credit to Boulder and to this bank.

Q. What was your recommendation as far as the application to acquire the Montbello Bank?

A. Favorable.

Q. Why?

A. Well, the Montbello industrial area is one that does not have a bank in it, and if we obtain approval of the application for the Montbello State Bank, we will move—we plan to move that bank into that industrial and residential complex, and we believe that area directly within that geographical center needs a bank. And we think the Montbello State Bank, in its present location, with its present activities, does not fulfill a proper role for a community of that size.

Q. At one point Bancorporation was considering entering that area by chartering a new bank. Could you explain why that decision was made?

A. Why the——

Q. Why the decision to enter with a de novo bank was made. I know it was subsequently changed, but——

A. Well, I think the consideration of wanting to get in there was one which certainly would have encouraged us to try and enter with a de novo bank if there was no other way to do it. But the Montbello State Bank does have deposits, it does have a clientele, it does have a certain acceptance, and this therefore seems a more logical way to go in.

Interrogatory #49

(A) State whether any officer or director of (1) Bancorporation and its subsiriary banks, or (2) FNB Greeley owns or controls at least three (3) percent of the shares of the capital stock of any other bank or holding company.
Yes

(B) If the answer to (A) above is in the affirmative, state for each such person:

(1) His name and title:

Theodore D. Brown—Director—The First National Bancorporation, Inc.; Executive Vice President and Director—The First National Bank of Denver

Frederick M. Farrar—Director—The First National Bancorporation, Inc.

Mahlon T. White—Director—The First National Bank of Denver

William M. White, Jr.—Director—The First National Bancorporation, Inc.; Director—The First National Bank of Denver

George R. Bander, Jr.—Loan Officer—The First National Bank of Denver

Curtis S. Slife—Senior Vice President—The First National Bank of Greeley

(2) The name and address of each bank or holding company in which he owns or controls stock, and

(3) The number of shares which he owns or controls in each such bank or holding company:

Name	*Name and Address of Bank or Holding Co.*	*# of Shares Held*	*% of Total*
Theodore D. Brown	Security State Bank of Sterling Sterling, Colorado	688	13.76
Frederick M. Farrar	Exchange National Bank Colorado Springs, Colorado	53,000	53.00
	First National Bank of Pueblo Pueblo, Colorado	76,368	50.91
	Colorado Commercial Bank Colorado Springs, Colorado	52,382	65.48
Mahlon T. White	The First National Bank Alamosa, Colorado	67	6.70
	The Bank of Aspen Aspen, Colorado	92	3.68
	The First National Bank Durango, Colorado	917	61.13
	Fidelity Bank and Trust Monte Vista, Colorado	23,250	77.50
	The Minnequa Bank of Pueblo Pueblo, Colorado	890	17.80
	The First National Bank Salida, Colorado	43	4.30
William M. White, *Jr.*	The Bank of Aspen Aspen, Colorado	76	3.04
	The First National Bank Alamosa, Colorado	30	3.00
George R. Bauder, *Jr.*	Metropolitan State Bank Commerce City, Colorado	152	6.08
Curtis S. Slife	Farmers State Bank Hawarden, Iowa	40	4.00

In addition, Mr. Brown owns 40% of "Brown Corporation" which, in turn, owns 42% of the outstanding stock of the Farmers State Bank—Yuma, Colorado.

The bank stock shown above stand in the name of "Southern Colorado Banking Co." of which Mr. Farrar is a General Partner.

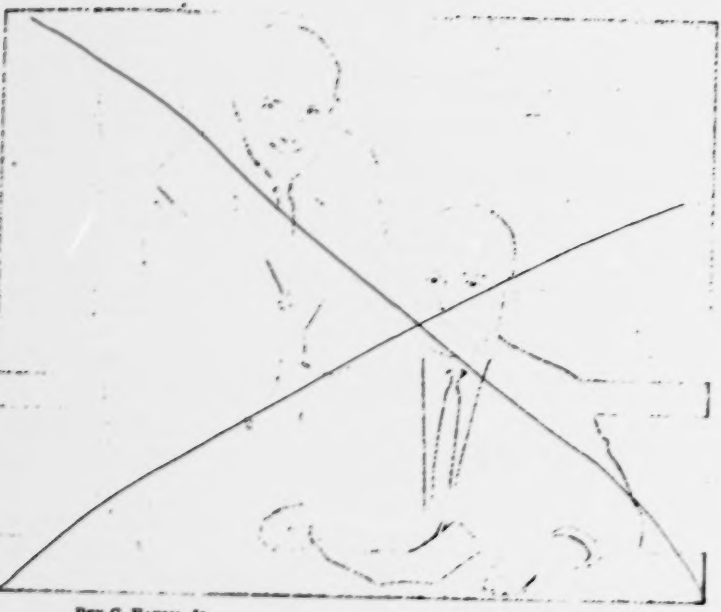
In addition to the above Mr. Robert M. Gilbert, President and Director of FNB Greeley and his wife own "Monroe Corporation" which in turn owns 400 shares of the Fort Lupton State Bank—Ft. Lupton, Colorado representing 13.33% of the outstanding stock of Ft. Lupton State Bank.

PLAINTIFF'S EXHIBIT 8

ANNUAL REPORT 1966

THE FIRST NATIONAL BANK

GREELEY, COLORADO



REX C. EATON, JR.
Executive Vice President

ROBERT M. GILBERT
President

1966 was another successful year for The First National Bank of Greeley. The bank earn-gs from current operations after taxes amounted to $2.84 per share, as compared to $2.35 per are for 1965. This comparison is based on 120,000 shares outstanding. The per share transfer Reserve for Loan Losses in 1966 amounted to $1.46 per share. Although this is not capital, it protection to our depositors and our shareholders, and was the maximum permitted under rrent regulations.

The dividend rate for 1966 continued at $1.20 per share; however, the total dollars paid in idends increased from $120,000.00 to $144,000.00 due to the fact that we declared and paid a enty per cent stock dividend in March of 1966.

Certainly, 1966 has been an interesting year from an economic standpoint. Borrowing rates loan customers reached the highest level they have been in many years. Interest rates paid banks on time deposits likewise are at an extremely high level. As a result, the depositor is much re conscious of money on deposit that is not earning some interest. Consequently, growth demand deposits has been more difficult to obtain, while we have had excellent growth in our e deposits. This obviously creates higher money costs to the bank and when combined with ation and other increased operating costs, has necessitated increased interest costs to our rowing customers.

POOR COPY

You will note further in this report the increases in our overall deposits. I am pleased to point out this growth in total deposits as well as total assets by your bank.

During the past year we began offering to local physicians and dentists the Medac Medical Billing Service. We feel this is a very worthwhile program and are most pleased to have the opportunity to offer this service to those in the medical and dental professions who have found it to be a useful and time saving tool in the handling of their patients' accounts.

We also in 1966 inaugurated the "Bank Depositors Plan" for health and medical insurance. Here again, we are offering a service that we feel is very worthwhile and urge all of our customers to look into this program for their personal use.

I certainly can commend to you the people who are staffing your bank. I am most proud to report that thirty-two staff members have been with our organization five years or longer. The average years of service of your officer staff is twelve years. The average tenure of the non-officer staff member is five years.

During 1966 your Board established The First National Bank of Greeley Foundation, Inc. This is a non-profit foundation operated for charitable and educational purposes.

Frank W. Peterson retired at the end of 1966, after twenty-five years of dedicated service to your bank and our community. We will miss Frank, but know he has earned the opportunity to spend some leisure time doing the things he wants to do. Mr. Virgil J. Mathews joined our staff in November, 1966, and is doing an excellent job of assisting the many loan customers formerly served by Frank Peterson.

The economic climate in Greeley and Northern Colorado has been, over the years, very stable. We are optimistic that the future of Greeley and Weld County will continue to show economic growth. We consider it a privilege for this bank to share in this progress. We have a dedicated, experienced, and well-trained staff, devoted to serving our banking customers, as well as participating in many civic activities. We pledge to customers and our shareholders continued dedication to sound banking principles and the same devotion to public service in 1967.

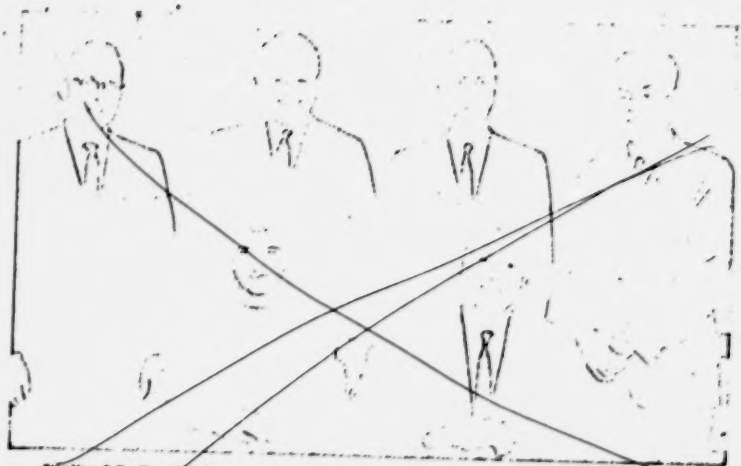
We like to feel that the philosophy of The First National Bank in the past, today, and in the future is best reflected in the statement — "The Banking Business goes where it is invited and stays where it is well cared for." Our future will be to continue this simple but important philosophy.

I would like to express our appreciation to our shareholders for their continued loyal support and to members of our Board of Directors for their interest, encouragement, and wise counsel. I want also to recognize with thanks the dedication of our staff. The cooperation of these three groups made 1966 an excellent year. They certainly add to our optimism for continued success in future years.

Very truly yours,

Robert M. Gilbert

ROBERT M. GILBERT
President



Standing, L-R: Thos. E. Fitzgerald, Assistant Vice-President; Richard J. Read, Assistant Cashier; Arthur L. Haviland, Auditor; Alvin E. Vonfeldt, Assistant Cashier.

Seated, L-R: Miss Elsie E. Erickson, Assistant Cashier; Alexander M. Gillespie, Cashier.

OPERATIONS, AUDIT, AND BUSINESS DEVELOPMENT

OPERATIONS

The Operations Department at The First National Bank is under the immediate supervisory responsibility of our Cashier, Alec Gillespie, with Al Vonfeldt supervising the teller functions, and Dick Read heading up Bookkeeping. Fine service to our depositors is rendered by our employees in these areas. During 1966 we also inaugurated "Statement Savings" for our savings customers. This program has been very well accepted and will permit us to further improve our service to savings customers.

Data Processing has an ever-increasing influence in the banking business as it does in many other businesses. The Colorado National Bank of Denver presently provides your bank with a wide degree of service through its data processing center. Our Checking and Savings Accounts are processed daily, and our payroll is processed twice a month by The Colorado National Bank. The First National Bank processes the Water Billing for the City of Greeley with data processing assistance from The Colorado National Bank.

AUDIT DEPARTMENT

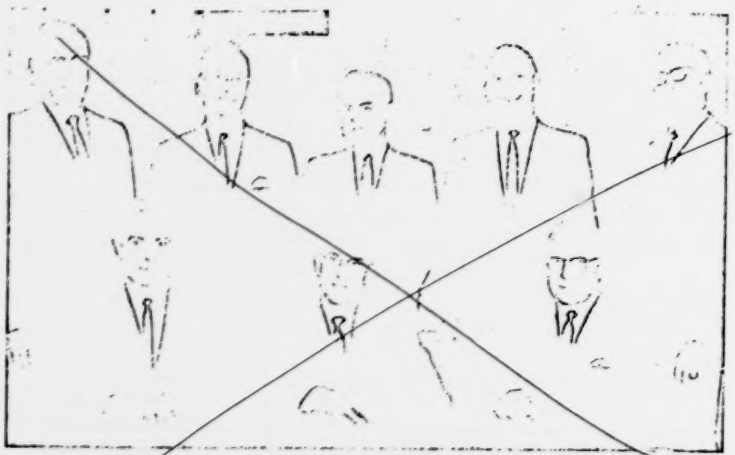
Arthur L. Haviland is the Auditor of the Bank. He is responsible directly to the Board of Directors and devotes all of his time in assuring that proper auditing procedures are established within our organization.

BUSINESS DEVELOPMENT AND PUBLIC RELATIONS

Tom Fitzgerald devotes all of his time to Business Development, Public Relations, and Advertising. He can call on any staff member for assistance as necessary and is the immediate supervisor of the Customer Service area in the Lobby. This area is designed to give service and assistance to customers and non-customers coming into the Bank.

Bank FIRST *... Right Now!*

POOR COPY



Standing, L-R: George Wolfe, Jr., Assistant Cashier; Dale J. Bristow, Assistant Cashier; Virgil J. Mathews, Assistant Vice President; Loren L. Gale, Assistant Vice President; Robert W. Pappenheim, Assistant Cashier.

Seated, L-R: Charles G. Carlson, Vice President; Curtis B. Slife, Senior Vice President; A. R. Miller, Vice President.

COMMERCIAL AND INSTALLMENT LOAN DEPARTMENTS

The men pictured above represent those officers of the Bank who spend the majority of their time servicing our loan customers. These men are all experienced and well qualified in all the lending fields.

Curt Slife is the credit supervisor. His supervisory responsibilities apply to both the Commercial Loan Department and the Installment Loan Department. The other officers in the Commercial Loan Department are; Adolph Miller, Chuck Carlson, Virgil Mathews, and Dale Bristow. As you are well aware, a major function of any commercial bank is the proper loaning of funds to members of our community. We feel The First National Bank is well qualified and desires to make any worthwhile loan to assist any segment of our economy.

The First National Bank will consider any real estate loan, secured by residential, business, or agricultural property.

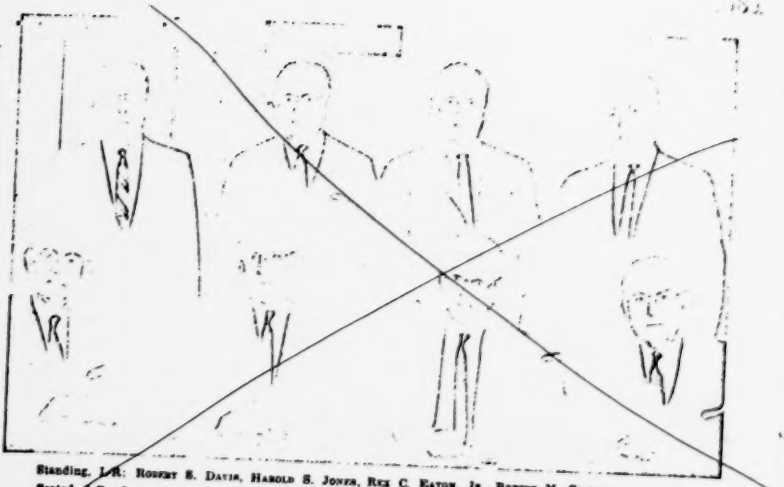
Our objective is to make loan advances to qualified customers, where the funds will be used to promote the economic growth of the customer and our community.

Our Installment Loan Department is further staffed with Loren Gale and George Wolfe. It is a complete Installment Loan Department, able and willing to service any reasonable request for consumer or business credit.

On December 31, 1966, outstanding loans were $22,383,433.00. This compares with year end loans in 1965 of $20,769,491.00 and in 1964 of $19,496,428.00.

The increase in the loan balances as reflected above further supports the desire of your bank to service our borrowing customers. We shall be most pleased to have the opportunity to offer our credit experience to any of our shareholders or to anyone you might recommend to us and will actively work not only to increase the size of our loan portfolio, but also to maintain the quality consistent with giving the service our community demands and is entitled to.

Bank FIRST *... Right Now!*



Standing, L-R: Robert S. Davis, Harold S. Jones, Rex C. Eaton, Jr., Robert M. Gilbert.
Seated, L-R: John W. Henderson, Russell F. Billings, Vice President; Louis C. Rieker, Vice President and Trust Officer; Leonard N. Burch.

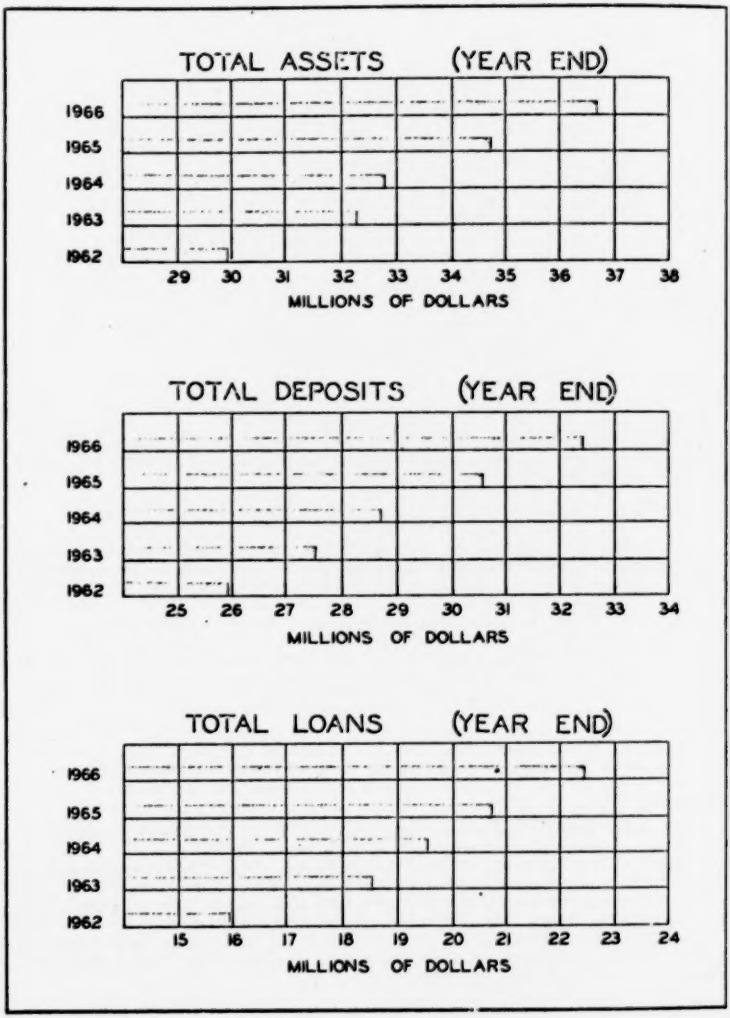
TRUST MANAGEMENT AND TRUST INVESTMENT COMMITTEE

Our Bank offers a complete line of Trust Services. We are qualified in every area pertaining to Trust work and have our Trust Department, staffed with Louis C. Rieker, our Trust Officer, and Russell F. Billings, our Farm Manager. Lou Rieker has been with your bank since September 1, 1957, after having obtained his law degree at the University of Colorado. Prior to attending Law School, Lou Rieker graduated from the University of Illinois with a degree in General Agriculture. You can see that he is well qualified and knowledgeable in the agricultural field in addition to his knowledge pertaining to Trust work. Russ Billings has been with the bank since April 1, 1952. Prior to that time he was in the farm management and feeding business for Mr. J. M. B. Petrikin. Russ now devotes most of his time to farm management, and we can highly recommend him to you as being one of the outstanding Farm Managers in this area. As a matter of interest, we do wish to report that our Trust Department has over 6,000 acres of irrigated farmland under its supervision. We very definitely are seeking any new Trust business that may be available and do offer all of the services of this well staffed department to you, our shareholders, your business associates, or your friends. We are completely equipped to handle your trust needs.

One of the important committees within your bank is the Trust Investment Committee. Its function is to supervise the operation of the Trust Department and give prior approval to the asset management conducted by the Trust Department. Should any changes in assets be required for the proper administration of a given Trust, Estate, or Agency Account, the Trust Investment Committee makes a review prior to making such changes. This committee, as reflected in the picture above, consists of your Trust Officer plus six directors of the bank. Four of these directors are non-management directors. Your Trust Department is being operated on the basis of sound, well-thought-out decisions by this committee and your Trust Officer, and is completely capable of handling all Trust requirements.

Bank FIRST *... Right Now!*

3082


TOTAL ASSETS (YEAR END)
1966
1965
1964
1963
1962
29 30 31 32 33 34 35 36 37 38
MILLIONS OF DOLLARS
TOTAL DEPOSITS (YEAR END)
1966
1965
1964
1963
1962
25 26 27 28 29 30 31 32 33 34
MILLIONS OF DOLLARS
TOTAL LOANS (YEAR END)
1966
1965
1964
1963
1962
15 16 17 18 19 20 21 22 23 24
MILLIONS OF DOLLARS

THE FIRST NATIONAL BANK
OF GREELEY

COMPARATIVE STATEMENT OF CONDITION

ASSETS

On December 31,	1965	1966
Cash on hand and in Banks	$ 4,366,251	$ 4,410,310
U. S. Government Securities	4,038,832	3,991,516
Municipal Obligations	4,030,497	4,865,725
Federal Reserve Bank Stock	60,000	75,000
Federal Funds Sold	600,000	—
Loans and Discounts	20,769,491	22,383,433
Bank Premises and Equipment	735,646	767,243
Other Real Estate Owned	125,087	106,195
Other Assets	57,422	181,198
TOTAL ASSETS	$34,783,226	$36,780,620

DEPOSITS, LIABILITIES, CAPITAL, AND RESERVES

On December 31,	1965	1966
Demand Deposits of Banks, Corporations, Individuals, Partnerships and Miscellaneous Organizations	$12,286,205	$12,296,582
Time and Savings Deposits of Corporations, Individuals, Partnerships and Miscellaneous Organizations	15,243,461	16,741,062
U. S. Government and Other Public Deposits	3,015,565	3,294,218
Total Deposits	$30,545,231	$32,331,862
Capital Stock	$ 1,000,000	$ 1,200,000
Surplus	1,000,000	1,300,000
Retained Earnings	1,600,733	1,162,573
Total Capital Funds	3,600,733	3,662,573
Reserve for Loan Losses	378,225	402,102
Total Capital Funds and Loss Reserves	$ 3,978,958	$ 4,064,675
Unearned Interest	$ 182,761	$ 204,294
Other Liabilities	$ 76,276	$ 179,789
TOTAL	$34,783,226	$36,780,620

Bank FIRST ... *Right Now!*

COMPARATIVE STATEMENT OF OPERATING EARNINGS

	1965	1966
OPERATING EARNINGS		
Interest on Loans	$ 1,227,340	$ 1,458,338
Interest and Dividends on Securities	279,703	272,633
Other Operating Income	252,432	277,099
Total Operating Income	$ 1,759,475	$ 2,008,070
OPERATING EXPENSE		
Interest Paid on Deposits	$ 636,823	$ 711,041
Salaries and Employee Benefits	386,678	416,896
Other Operating Expense	338,665	318,308
Total Operating Expense	$ 1,362,166	$ 1,446,245
Net Operating Income Before Income Taxes	$ 397,309	$ 561,825
Income Taxes Applicable to Operating Income	$ 115,722	$ 221,219
Net Operating Earnings After Income Taxes	$ 281,587	$ 340,606
Net Operating Earnings Per Share (Adjusted for 120,000 shares)	$2.35	$2.84
Cash Dividend Paid Per Share (Adjusted for 120,000 shares)	$1.20	$1.20

COMPARATIVE RECONCILIATION OF CAPITAL FUNDS

	1965	1966
BALANCES FROM PREVIOUS YEAR, PER BOOKS		
Capital Stock	$ 1,000,000	$ 1,000,000
Surplus	1,000,000	1,000,000
Retained Earnings	1,466,538	1,600,733
	$ 3,466,538	$ 3,600,733
ADDITIONS		
Net Earnings from All Sources	$ 300,871	$ 310,022
DEDUCTIONS		
Paid and/or Set Aside During the Year for Income Taxes	$ 46,676	$ 104,182
Cash Dividends Paid	$ 120,000	$ 144,000
YEAR-END BALANCES, PER BOOKS		
Capital Stock	$ 1,000,000	$ 1,200,000
Surplus	$ 1,000,000	$ 1,300,000
Retained Earnings	1,600,733	1,162,573
	$ 3,600,733	$ 3,662,573

In the first quarter of 1966 a Stock Dividend of $200,000 was declared. and Surplus was increased by $300,000. The total of $500,000 was transferred from Retained Earnings. The difference between Taxes applicable to Operating Income and tax provision shown above is due to tax benefits on non-operating transactions.

Bank FIRST *... Right Now!*

BOARD OF DIRECTORS

LEONARD N. BURCH
Banking and Investments

ROBERT S. DAVIS
Owner, Davis Agency
Farming and Ranching

REX C. EATON, JR.
Executive Vice President

O. G. EDWARDS
President, Edwards
Chevrolet Company

WM. S. GARNSEY III
Colorado State Senator
President, Garnsey &
Wheeler Company

ROBERT M. GILBERT
President

JOHN W. HENDERSON
Attorney-At-Law

DARELL HOLMES,
Ph.D.
President, Colorado
State College

HAROLD S. JONES
Owner,
The Jones Company

CARL J. MAGNUSON
Former Colorado State
Senator
Farmer and Cattle Feeder

JOSEPH F. PHELPS
President, Hensel Phelps
Construction Company

DEAN C. ROYER
President,
D. C. Royer Agency

ERNEST B. SCOTT
President,
Scott Realty Company

PHILLIP D. WEAVER,
M.D.
Radiologist

Bank FIRST *... Right Now!*

EMPLOYEES

(NON-OFFICER STAFF MEMBERS)

Akin, Lois C.
Anschutz, Janet
Baggot, William
Baker, Mildred H.
Ball, Connie M.
Blehm, Dorothy Ann
Casteel, Barbara
Chapman, Helen L.
Cox, Carol A.
Cumberlin, Carolyn
Daniels, Bonnie
Davenport, Sandra A.
Dawson, Sasha
DeGolier, Mary O.
DeVore, Dorothy
Ditter, JoDelle A.
Drewer, Patricia A.
DuBois, Donna K.
Fox, Judy M.
Foy, Nell
Gilfillan, Donald J.
Gordon, Velma R.
Grayum, Charles C.
Horner, Susan J.
Hyde, Harold L.
Jump, JoAnn
Jurgensmeier, Mary
Kliewer, David
Lawson, Patricia A.
Mayes, Anne L.
Meisinger, Charlene J.
Menke, Joan E.
Meyer, Cordelia M.
Miller, Conrad J.
Miller, Norva J.
Paddock, Ann
Plowman, Leona
Piper, Janet I.
Rigga, LoRee E.
Roth, Phyllis A.
Schimpf, Delores
Schnell, Wilma M.
Simmons, Lorena S.
Sorensen, Beverly A.
Spier, Norman E.
Todd, Paige
Vielma, Fern F.
Walker, Dixie Lee
Werschke, Richard
Wilson, Dian D.

IN MEMORIAM — Joseph E. Grimes, Jr.

BANKING HOURS

Monday Thru Friday
9:30 a.m. — 3:00 p.m.

INSTALLMENT LOAN DEPARTMENT
9:00 a.m. — 4:00 p.m.

DRIVE-IN WINDOWS
8:30 a.m. — 5:30 p.m.

WALK-UP WINDOWS
8:30 — 9:30 a.m.
3:00 — 5:30 p.m.

Phone: (303) 353-1651

Bank FIRST *... Right Now!*

COMPLETE BANKING SERVICES

Regular Savings Accounts
Special Checking Accounts
Banking by Mail
Complete Savings Plans:
  Statement Savings
  Savings Certificates
  Certificates of Deposit
Safety Deposit Boxes
Night Depository
Complete Trust Department
Farm Management Service
Complete Collection and Escrow Service
BankAmericard Credit Card
Medac Medical Billing Service
Bank Depositors Health Plan
Agricultural Loans
Livestock Loans
Real Estate Loans
Business Loans
Thrifty Installment Loans
Thrifty Auto Finance Plan
Thrifty Personal Loans
Thrifty Home Appliance Loans
F.H.A. Home Improvement Loans
Foreign Exchange Service
Travelers Checks
Money Orders
Bank Drafts
Complete Drive-In Facilities
Free Parking Lot

Member F.D.I.C.
Member Federal Reserve System

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Surplus	1,000,000	1,000,000
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ADDITIONS		
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DEDUCTIONS		
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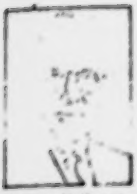
BOARD OF DIRECTORS



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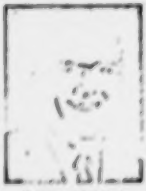

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President, Samuel Phelps
Construction Company

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D. C. Royer Agency

HERSEY B. SCOTT
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Scott Realty Company

PHILIP D. WELTER,
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Radiologist

Bank FIRST *... Right Now!*

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Phone: (303) 353-1551

Bank FIRST ... Right Now!

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Regular Savings Accounts
Special Checking Accounts
Banking by Mail
Complete Savings Plans:
- Statement Savings
- Savings Certificates
- Certificates of Deposit

Safety Deposit Boxes
Night Depository
Complete Trust Department
Farm Management Service
Complete Collection and Escrow Service
BankAmericard Credit Card
Medac Medical Billing Service
Bank Depositors Health Plan
Agricultural Loans
Livestock Loans
Real Estate Loans
Business Loans
Thrifty Installment Loans
Thrifty Auto Finance Plan
Thrifty Personal Loans
Thrifty Home Appliance Loans
F.H.A. Home Improvement Loans
Foreign Exchange Service
Travelers Checks
Money Orders
Bank Drafts
Complete Drive-In Facilities
Free Parking Lot

Member F.D.I.C.
Member Federal Reserve System

POOR COPY

PLAINTIFF'S EXHIBIT 9

THE FIRST NATIONAL BANK
GREELEY, COLORADO

PRESIDENT'S LETTER

To Our Shareholders:

1967 was a very successful year for The First National Bank of Greeley. Further in this report you will find the detailed figures pertaining to assets, liabilities, capital accounts, earnings and taxes. But very briefly, I would like to report to you that the net operating earnings per share in 1967 were 3.08 compared with 2.84 per share in 1966. As you will note, the total income for the year was the highest in the bank's history; likewise, total expenses for the year were the highest in your bank's history. Interest paid on time deposits accounted for a major share of these increased costs. With the declaration of a special 30¢ per share dividend paid on December 22nd, the total dividends paid for the year 1967, amounted to $1.50 per share, representing a 25 per cent increase over the dividends paid to you in 1966 and a 50 per cent increase over dividends paid to stockholders in 1965.

During 1967, we were proud to announce the election to your Board of Directors of Mr. Martin R. Domke, well known cattle feeder in Northern Colorado and throughout the state, and Mr. John L. Haley, President of Nelson, Haley, Patterson & Quirk, Inc., a very successful consulting engineering firm located in Greeley. We were all saddened, however, by the passing of Mr. O. G. (Gus) Edwards. Gus died September 4th and will be sorely missed by your bank and its staff. His efforts on behalf of your bank as a Director for twenty-six years are incalculable. Gus devoted much of his life to public service and his judgment and foresight have played a major part in the growth of this community and of your bank during the past twenty-six years.

The staff of your bank continues to grow and as President I am extremely proud of the fine efforts put forth by all of our staff members. As of the first of the year, the total number on the staff consisted of seventy-one employees. This includes the young men from the college working on a part time basis who continue to do an excellent job for us. Mr. Norman Wood joined the staff February 1st and is now supervisor of the Bookkeeping Department. John Long joined our staff in June, 1967 in the capacity of Agricultural Representative and Appraiser. We were then able to

shift Bob Pappenheim into commercial loan officer duties where he was needed. Russell K. Haney, recently retired from the United States Air Force, joined our staff on July 1, 1967, and is in the Trust Department serving in the capacity of Trust Administrator.

As will be explained to you later in this report, in April, 1967 we became the agent bank for the Colorado Bank-Americard headed up by the Colorado National Bank of Denver. Also as hereinafter more fully reported, your bank purchased the balance of the property west of the present bank building. This property will be used for parking, and for the future growth and development of the bank.

In December, 1967, the Board authorized the transfer of $200,000.00 from undivided profits to surplus, giving us a surplus account of $1,500,000.00 thereby, increasing our legal loan limit, under the normal method of computation, from $250,000.00 to $270,000.00. This limit is the highest of any bank in the northern part of Colorado. With the growth of our bank, our community and the borrowing requirements of our customers, it was felt that this expanded legal limit would permit us to do an even better job of anticipating and servicing requirements of our borrowing customers.

What the future holds is, of course, important to any shareholder. Certainly we are anticipating that the continued cost of time deposits will remain high. We are now and have been for some time paying to our time depositors the maximum return on their deposits permitted under current regulations for each type of time deposit; and as you will note further in this report, this was the single largest expense in the operation of your bank during the past year. As a corallary, this will continue to create high borrowing interest rates compared to those our customers were accustomed to some years ago. There has been no upward increase in our lending rates during the past year, though the future still is uncertain in this respect. Mortgage money softened to some degree during the first half of 1967, however, the second half found the mortgage money market reversing itself and mortgage money is now as costly as it was a year ago. Short term borrowings, at least locally, appear to remain at the same rate as they were, however, there has been an increase in the Eastern money market in this respect and adjustments may have to be made.

Like all other businesses, we must plan on increased costs during the coming year. A major factor in this respect is the increase in the minimum wage for the second straight

year, increasing this cost from $1.40 to $1.60 per hour effective February 1, 1968. Other adjustments in salaries are also necessary due to the fact that in 1967, there was a 3 per cent increase in the cost of living. Your bank is aware of the inroads of these inflationary costs on its employees' salaries and is endeavoring to adjust compensation as necessary to reward and retain a fine staff.

The economy, in this predominantly agricultural area, is undergoing serious and far-reaching changes. Prices on farm commodities have certainly not risen with costs and the farmer finds himself in an uneasy, if not precarious position. Our staff is well aware of these problems and we are constantly attending and participating in conferences and seminars designed to acquaint us with modern methods of dealing with them.

Retail sales in the community held up well during the past year and as Greeley continues to grow, certainly the amount of business in our community should grow. We must never overlook the economic and cultural impact of Colorado State College on our community. We are all becoming more interested and dedicated in the needs and aspirations of this great educational institution.

We are also working with the people from Aims College and endeavoring to assist them in any way possible in the establishment of this fine new educational facility in our community.

As stated in last year's report, we continue to believe that the growth of The First National Bank in the past, today and in the future is best reflected in this statement: "Banking business goes where it is invited and stays where it is well cared for." Our endeavors will be to continue this simple but important philosophy.

In concluding this report, we would like to ask of our stockholders a continuing awareness of the help and assistance they can give to The First National Bank. Your efforts, as much and in some cases more than the staff's, can direct new accounts and business to us. Your observations and suggestions on bank services and the performances of bank personnel are solicited. Your loyalty and support will be rewarded by a better First National Bank serving you and the Northern Colorado area.

Sincerely,

/s/ Robert M. Gilbert
ROBERT M. GILBERT
President

BALANCE SHEET

RESOURCES	December 31, 1957	December 31, 1956
Cash and due from banks	$ 6,229,004	$ 4,410,310
U.S. Government obligations	4,068,309	3,991,516
Obligations of States and political subdivisions	6,659,838	4,865,725
Other securities	75,000	75,000
Loans and discounts	23,469,026	22,523,434
Bank premises and equipment	913,843	767,243
Other assets	123,614	147,392
Total Resources	$ 41,538,634	$ 36,780,620
LIABILITIES AND CAPITAL		
LIABILITIES		
Demand deposits	$ 15,101,800	$ 14,450,965
Time deposits	20,681,356	17,880,897
Total deposits	35,783,156	32,331,862
Federal Funds purchased	1,000,000	
Provision for interest, taxes, expenses, and unearned discount	409,394	384,083
Reserve for Bad Debts	452,614	402,102
Total Liabilities	$ 37,645,164	$ 33,118,047
CAPITAL ACCOUNTS		
Capital Stock—common—total par value	$ 1,200,000	$ 1,200,000
120,000 shares authorized		
120,000 shares outstanding		
Surplus	1,500,000	1,300,000
Undivided Profits	1,193,470	1,162,573
Total Capital Accounts	$ 3,893,470	$ 3,662,573
TOTAL LIABILITIES AND CAPITAL	$ 41,538,634	$ 36,780,620

In general, the cash basis of accounting has been used except for accrual of installment loan interest, savings interest, and major items of expense and income taxes.

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STATEMENT OF EARNINGS

	1967	1966
OPERATING INCOME		
Interest and fees on loans	$ 1,601,746	$ 1,463,323
Interest and dividends on U.S. Government obligations	161,178	146,028
Obligations of States and political subdivisions	171,620	122,276
Other securities	4,500	4,328
Service charges on deposit accounts	111,557	110,240
Trust Department	64,572	64,273
Other operating income	77,261	58,838
Total operating income	$ 2,192,434	$ 1,969,306
OPERATING EXPENSE		
Salaries and bonuses	$ 407,782	$ 362,398
Pensions, profit-sharing and other employee benefits	79,368	46,978
Interest on deposits	856,704	711,186
Interest on borrowed money	1,775	678
Net occupancy of bank premises	57,352	64,125
Equipment rentals, depreciation, maintenance	28,828	21,962
Other operating expense	209,297	200,154
Total operating expense	$ 1,641,106	$ 1,407,481
OPERATING EARNINGS BEFORE INCOME TAXES	$ 551,328	$ 561,825
INCOME TAXES APPLICABLE TO OPERATING EARNINGS	$ 181,346	$ 221,219
NET OPERATING EARNINGS	$ 369,982	$ 340,606
Per Share	$3.08	$2.84
NON-OPERATING ADDITIONS, NET AFTER TAX EFFECT		
Net security profits	$ 64,662	None
Loan recoveries not credited to reserve	452	964
Other	20,016	13,860
Total non-operating additions	$ 85,130	$ 14,824
NON-OPERATING ADDITIONS, NET AFTER TAX EFFECT		
Net security losses	None	$ 23,186
Transfer to reserve	42,686	85,716
Other	1,529	40,688
	$ 44,215	$ 149,590
NET NON-OPERATING ADDITIONS (DEDUCTIONS)	$ 40,915	$ (134,766)
TRANSFERRED TO UNDIVIDED PROFITS	$ 410,897	$ 205,840

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RECONCILEMENT OF CAPITAL ACCOUNTS

	1967	1966
Balance, beginning of the year	$ 3,682,573	$ 3,600,733
Addition:		
Transferred from Statement of Earnings	410,897	205,840
Deductions:		
Cash Dividends declared:		
1967 $1.50 per share	180,000	
1966 $1.20 per share		144,000
Balance, end of the year	$ 3,893,470	$ 3,662,573

RECONCILEMENT OF VALUATION RESERVES

	Reserve for Loan Losses pursuant to IRS rulings	
	1967	1966
Balance, beginning of the year	$ 402,102	$ 378,225
Recoveries credited to this reserve	5,531	19,795
Transfers to this reserve	92,794	175,777
Total	500,427	573,797
Less losses charged to this reserve	47,813	171,695
Balance, end of the year	$ 452.614	$ 402,102

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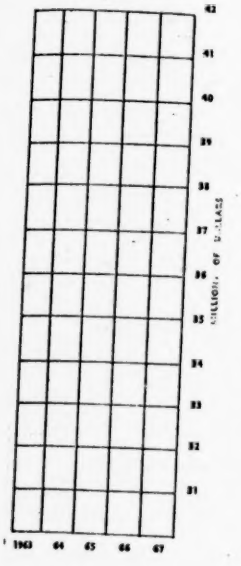
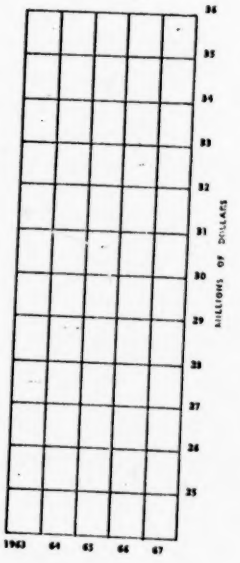
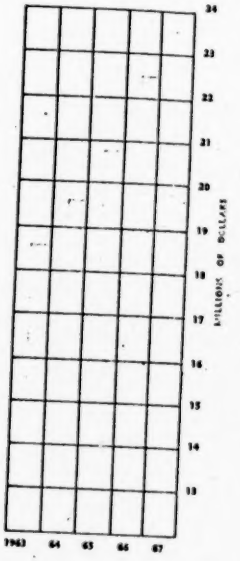
TOTAL ASSETS
(YEAR END)



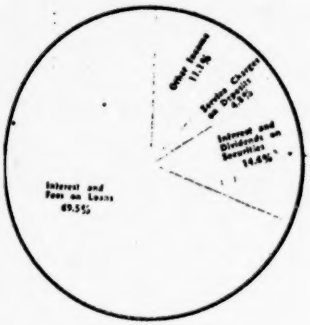
TOTAL DEPOSITS
(YEAR END)



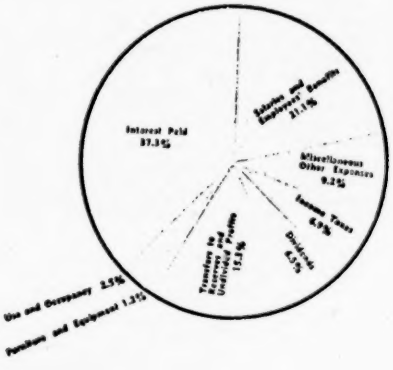
TOTAL LOANS
(YEAR END)

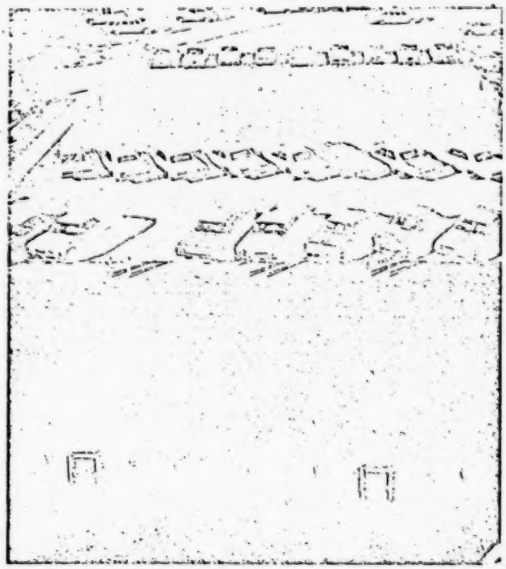


SOURCE OF INCOME



DISTRIBUTION OF INCOME





The above picture is of the property west of the present banking quarters. The First National Bank completed acquisition of the remaining property in this half block during 1967. Also, upon the completion of this acquisition, all structures were removed from the property with the exception of the small building located on the lot currently being leased from the bank by Joslins, our next door neighbor.

Joslins currently has long term options that they can exercise on the use of the lot immediately west of the bank, but we are presently negotiating with that company to relocate their parking area so that the property closest to the bank will be available for bank customer parking. With the development of the ground west of the bank, through attractive retaining walls and landscaping, we hope to further improve the appearance of The First National banking corner, offer much better parking for our customers as well as providing some rental parking spaces for tenants and other downtown businessmen. At the same time, we are confident we can provide Joslins with very adequate parking for their store for the balance of their current lease and for the subsequent options, should they elect to exercise these options.

In the long range future, this ground will provide the area for additional drive-up facilities or other plant expansion as may be deemed necessary.

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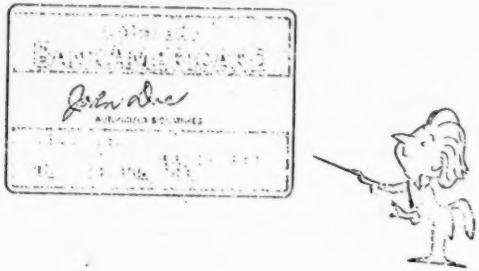

In January, 1967, The First National Bank, through The Colorado National Bank of Denver—licensee bank for Colorado, became the agent bank in Greeley for the nationwide BankAmericard Program. This fine credit card program encompasses seventeen states and England, where it is known as the Barclay Card.

The First was one of the original fifty-five participating banks in Colorado to enter into the all-purpose credit card program known as the Colorado BankAmericard.

Colorado, as a unit banking state, presented a unique situation for the introduction of a statewide credit card system. In most other states where BankAmericard is offered, the branch system was utilized for full coverage. In Colorado, there was developed an agent-correspondent relationship with the licensee bank for the market penetration needed. It appears to be working smoothly.

BankAmericard is an all-purpose credit card. The holder, who need not be a customer of The First National Bank, The Colorado National Bank or any other agent bank, may conveniently purchase and charge at thousands of retail, service and professional establishments throughout Colorado as well as sixteen other BankAmericard states.

There is no charge to acquire the card and there are no service charges if the bill is paid within twenty-five days from the date of the billing. If the payments are to be extended over several months, there is a small service charge. Cash advances on the BankAmericard are available from any bank participating in this nationwide program.

The advantages to the merchant are numerous in the BankAmericard Plan. Every sale is a cash sale to the merchant as he receives immediate credit when he deposits his sales drafts in the agent or licensee bank. BankAmericard offers the merchant the opportunity to reach a considerable number of new customers who hold BankAmericards. There are over five million cardholders and the number is growing rapidly.

There are approximately 13,500 BankAmericard recipients and 230 merchants in the Greeley area who are participating in the program. This service to the Greeley merchants and consumers has been well received and participation in the plan is rewarding, both in the program itself and the business development opportunities offered.

ADMINISTRATION

Robert M. Gilbert, President
Rex C. Eaton, Jr., Executive Vice President

CREDIT

Curtis S. Slife, Senior Vice President and Credit Supervisor

COMMERCIAL LOANS

Charles G. Carlson, Vice President
A. R. Miller, Vice President
Dale J. Bristow, Assistant Vice President
Virgil J. Mathews, Assistant Vice President
Robert W. Pappenheim, Assistant Cashier
John Long, Agricultural Fieldman

INSTALLMENT LOANS

Loren L. Gale, Assistant Vice President
George Wolfe, Jr., Assistant Vice President
Alvin E. Vonfeldt, Assistant Cashier

OPERATIONS

Alejandro M. Gillespie, Cashier
Elsie Erickson, Assistant Cashier
Richard J. Read, Assistant Cashier
Norman Wood, Bookkeeping Supervisor

TRUST DEPARTMENT

Louis C. Ricker, Vice President and Trust Officer
Russell F. Billings, Vice President and Farm Manager
Russell K. Haney, Trust Administrator

AUDITOR

Arthur L. Haviland

PUBLIC RELATIONS AND BUSINESS DEVELOPMENT

Thomas E. Fitzgerald, Assistant Vice President
Harold Hyde, BankAmericard Representative

THE FIRST NATIONAL BANK EMPLOYEES

Jean Akers	JoDelle Ditter	Susan Horner	Willie Schnell
Lois Akin	Patty Drewer	John Karel	Judy Schulz
Mickey Baker	Donna DuBois	Anne Mayes	Donna Schulzkamp
Connie Ball	Shirley Flint	Joan Menke	Lorena Simmons
Dorothy Bichee	Judy Fox	Cordelia Mayer	Ray Sorensen
Barbara Casteel	Nell Fay	Conrad Miller	Susanne Sumpter
Helen Chapman	Velma Gordon	Ann McGarry	Bobbie Sutton
Carol Cox	Chuck Grayson	Allan Grisfsky	Paige Todd
Carolyn Cumberlin	Susie Hastings	Leona Plowman	Fern Vietma
Sasha Dawson	Becky Hawkins	LeRoe Riggs	Diale Walker
Mary DeGolier	Steve Hoch	Phyllis Roth	Dian Wilson
Dorothy DeVore	Kay Holfort	Delores Schimpf	Bob Wykert

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DIRECTORS

...ARNARD N. BUSCH
Banking and Investments

...BERT S. DAVIS
Owner of
Davis Agency and Livestock

...EE C. EATON, JR.
Executive Vice President

...M. S. GARNSEY
Colorado State Senator
President,
Garnsey and Wheeler Company

ROBERT M. GILBERT
President

JOHN W. HENDERSON
Attorney-at-Law

DARRELL HOLMES, PH.D.
President,
Colorado State College

HAROLD S. JONES
Owner, The Jones Company

PHILLIP D. WEAVER, M.D.
Radiologist

CARL J. MAGNUSON
Former Colorado State Senator
Farmer and Cattle Feeder

JOSEPH F. PHELPS
President, Howard Phelps
Construction Company

DEAN C. ROYER
President, D. C. Royer Agency

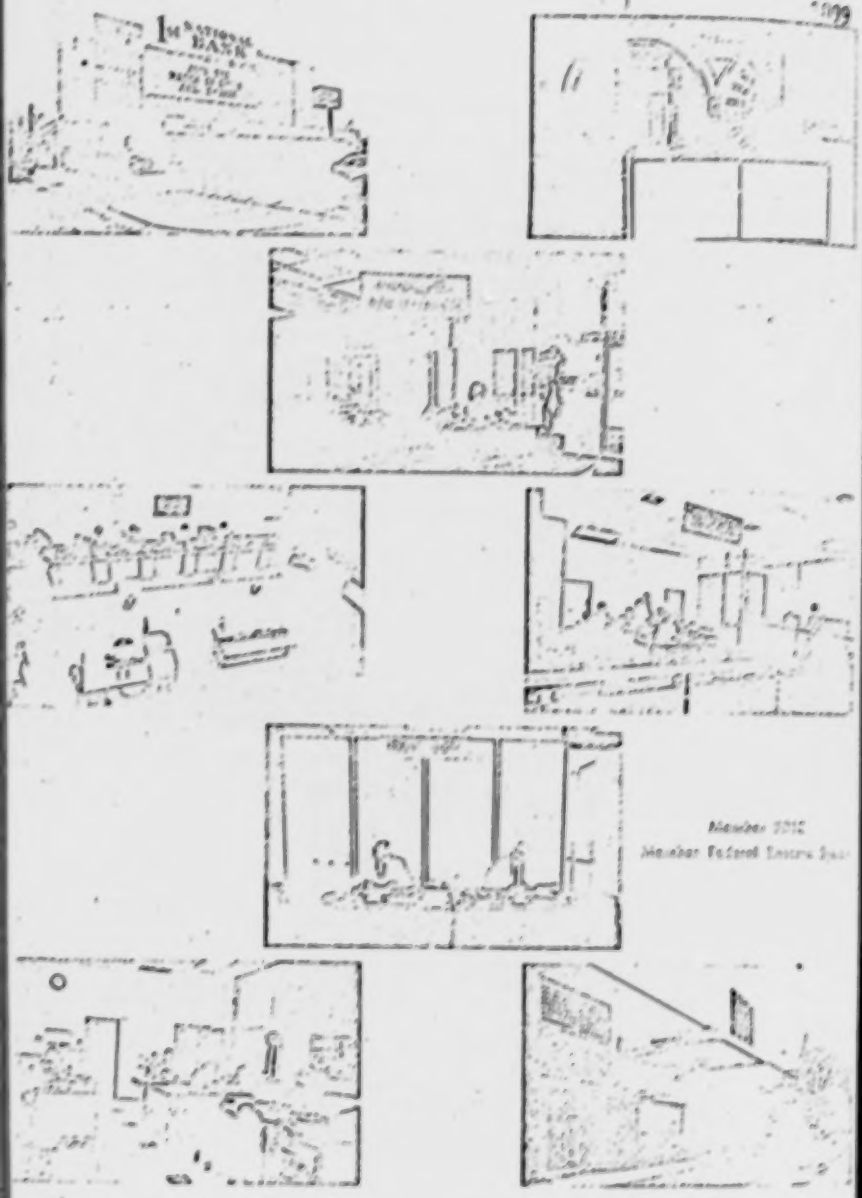
ERNEST B. SCOTT
President,
Scott Realty Company

MARTIN R. DOSKER
Cattle Feeder
Elected to the Board of Directors
Feb., 1947

JOHN I. HALEY
Engineering Consultant
Nelson, Haley, Patterson,
& Quirk, Inc.
Elected to the Board of Directors
Feb., 1947

IN MEMORIAM

O. G. EDWARDS
Served on Board of Directors From
May, 1941 to September, 1947



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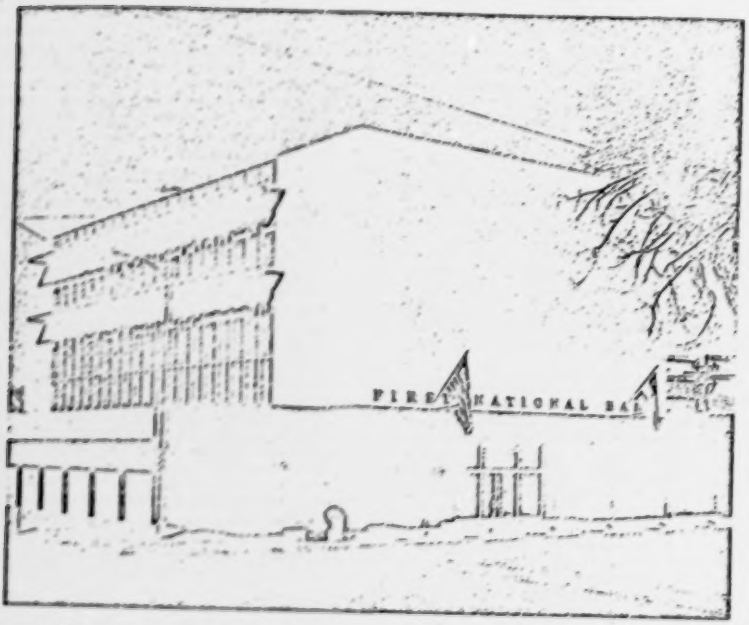
Annual Report 1968



The First National Bank

Greeley, Colorado

PRESIDENT'S LETTER TO THE SHAREHOLDERS

To Our Shareholders:

It is my pleasure to report to you that your bank has had another extremely successful year. As you will note later on in this report, detailed figures are presented for your review pertaining to 1968 as well as important data pertaining to prior years. Significantly, however, I would like to specifically report that net operating earnings after all taxes and expenses were $3.29 per share based on 150,000 shares outstanding. This compares very favorably with prior years.

For many years, this bank's accounting has been done on a strictly cash basis; however, we are now in the process of converting our major income and expense items to an accrual basis as a means of providing more meaningful comparisons between accounting periods, with the goal of completing the conversion during 1969. As a part of this, the Reconcilement of Capital Accounts table elsewhere in this report shows that interest accrued on Commercial Loans at close of business December 31, 1967, but computed after the end of the year and amounting to $233,712.00, was added to Undivided Profits in 1968.

For the year 1968, our bank paid to its shareholders a total of $186,000.00 in cash dividends, the first dividend of $.30 being paid on 120,000 shares, second and third dividends of $.30 each being paid on 150,000 shares and a $.40 dividend paid on the 15th of December on 150,000 shares.

Effective the first of April 1968, you received a 25 per cent stock dividend which increased the capital of your bank from $1,200,000.00 to $1,500,000.00. This is consistent with your bank's desire to be evermindful of the need for periodic increases in our capital structure to enable us to properly service the increasing demands of our fine borrowing accounts.

The staff of your bank continues to grow, and as President I am extremely proud of the fine efforts put forth by all of our staff members during the past year. Actually, in any organization of our size, there are changes. And though we regret having some of our older staff members leave us, we recognize that circumstances frequently dictate these changes. In this regard, I wish to report that Charles G. Carlson resigned as Vice President of the bank effective October 1, 1968. Chuck now represents the B. J. Lind & Company out of Chicago, dealing in the commodities market with his office located in the Producers' Livestock Sale Building. Mrs. Loftee Riggs, who had been with the bank for fourteen years, Mrs. Dorothy Blehm, who had been with the bank for twelve years, and Mrs. Leona Plowman, who had been with the bank for eleven years, all resigned during 1968 to spend more time at home. We are sorry to lose the people mentioned as well as other staff members with shorter tenure, but know that we have obtained excellent replacements who will serve you equally well.

I would like to announce that Mr. James B. Gronstal, formerly Executive Vice President of The First National Bank of Fort Morgan, joined our staff in October of 1968 as a Commercial Loan Officer. We feel very fortunate to have someone with Jim's lifetime background in the banking business now associated with our bank and available to serve you and our many customers.

As many of you may have observed and as is more fully explained later on in this report, your bank has embarked upon a major remodeling, redecorating and renovation program. We are looking forward to the end results when this period of inconvenience is ended and know that you will

be proud of the changes that are being made in our banking quarters.

1968 was certainly an interesting year in the banking industry. Money market fluctuations were extreme. Money costs reached all time high levels, necessitating many changes in interest rates to borrowing accounts, as well as many changes in the bank's investment account in government and municipal bonds.

Predictions for 1969, at this point, appear to be unsettled with the very real possibility that these rates may increase beyond present levels. We recognize that this certainly puts a squeeze on local businessmen, local feeders, and local farmers. As their costs rise, the ability to realize a reasonable profit in their operations decreases. This same situation is true in the banking industry. With inflationary trends as they were in 1968 of approximately 4.2% for the year and at an annual level in excess of that during the last three months of 1968, operating costs increased proportionately. As each of you is well aware, all of the operating costs within the banking business are rising as rapidly as in most other businesses. This requires a reassessment of reasonable charges for our services, as well as proper lending rates in order to provide the additional revenue necessary to cover these increased costs.

The bank's staff is well aware of these problems and will do everything possible to offer the best service and advice to assist our customers in making sound financial decisions.

As everyone in the community knows, the relocation of a major Eastman Kodak facility, south of Windsor, should have tremendous impact upon the economy of northern Colorado. We are eagerly awaiting the development of this facility and hope to be of service to all of those associated with this fine company.

Speaking on behalf of your Board of Directors and your bank's staff, I wish to thank you for the help you have given us during the past year.

We are looking forward to 1969, and once again solicit your suggestions on ways we may improve our services. We further hope that you will recommend The First National Bank to your friends, business associates, and new citizens and businesses locating in our area. Our desire is to provide safe, competent, full-service banking to Greeley and northern Colorado.

Our sincerest wishes for a very successful 1969.

Sincerely,

Robert M. Gilbert

ROBERT M. GILBERT
President

Bank FIRST ... Right Now!

BALANCE SHEET

December 31

	1968	1967
RESOURCES		
Cash and due from banks	$ 4,857,307	$ 6,229,004
United States Government obligations	4,113,108	4,068,309
Obligations of States and political subdivisions	7,076,606	6,659,838
Other securities	90,000	75,000
Loans, less reserve for loan losses	25,214,918	23,016,412
Bank premises and equipment	945,217	913,843
Other Assets	431,051	123,614
Total Resources	$ 42,728,207	$ 41,086,020
LIABILITIES		
Demand deposits	$ 14,273,323	$ 15,101,800
Time deposits	22,669,273	20,681,356
Total deposits	36,942,596	35,783,156
Federal Funds purchased	1,000,000	1,000,000
Other Liabilities	365,474	409,394
Total Liabilities	$ 38,308,070	$ 37,192,550
CAPITAL ACCOUNTS		
Capital Stock — common — total par value (150,000 shares authorized and outstanding at end of 1968)	$ 1,500,000	$ 1,200,000
Surplus	1,500,000	1,500,000
Undivided Profits	1,420,137	1,193,470
Total Capital Accounts	$ 4,420,137	$ 3,893,470
TOTAL LIABILITIES AND CAPITAL	$ 42,728,207	$ 41,086,020

Use Your Bankamericard

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STATEMENT OF EARNINGS

	1968	1967
OPERATING INCOME		
Interest and fees on loans	$ 1,776,420	$ 1,601,746
Interest and dividends on		
U.S. Government Obligations	220,185	161,178
Obligations of States and political subdivisions	230,720	171,620
Other securities	5,152	4,500
Service charges on deposit accounts	125,468	111,557
Trust Department	61,271	64,572
Other operating income	120,514	77,261
Total operating income	$ 2,539,730	$ 2,192,434
OPERATING EXPENSES		
Salaries and bonuses	$ 434,668	$ 407,782
Pensions, profit sharing, and other employee benefits	79,195	79,368
Interest on deposits	969,747	856,704
Interest on borrowed money	1,658	1,775
Net occupancy — bank premises	65,581	57,352
Equipment rentals, depreciation, maintenance	32,975	28,828
Other operating expense	300,814	209,297
Total operating expense	$ 1,884,638	$ 1,641,106
OPERATING EARNINGS BEFORE INCOME TAXES	$ 655,092	$ 551,328
INCOME TAXES APPLICABLE TO OPERATING EARNINGS	$ 161,390	$ 181,346
NET OPERATING EARNINGS	$ 493,702	$ 369,982
Per share	$3.29	$3.08
NON-OPERATING ADDITIONS, NET AFTER TAX EFFECT		
Net security profits	$ 29,181	$ 64,662
Loan recoveries not credited to reserve	198	452
Other	—	20,016
	$ 29,379	$ 85,130
NON-OPERATING DEDUCTIONS, NET AFTER TAX EFFECT		
Transfer to reserve for Loan Losses	$ 32,336	$ 42,686
Other	1,790	1,529
	$ 34,126	$ 44,215
NET NON-OPERATING ADDITIONS (DEDUCTIONS)	$ (4,747)	$ 40,915
TRANSFERRED TO UNDIVIDED PROFITS	$ 488,955	$ 410,897

Complete Trust Service

RECONCILEMENT OF CAPITAL ACCOUNTS

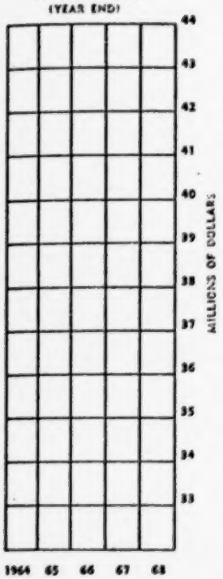
	1968	1967
Balance, beginning of the year	$ 3,893,470	$ 3,662,573
Additions:		
Transferred from Statement of Earnings	488,955	410,897
Commercial Loan interest accrued 12-31-67 calculated after close of the year and transferred to Undivided Profits in 1968	223,712	
Deductions:		
Cash Dividends declared:		
1967: $1.50 per share on 120,000 shares		180,000
1968: $0.30 per share on 120,000 shares $1.00 per share on 150,000 shares	186,000	
Balance, end of the year	$ 4,420,137	$ 3,893,470

RECONCILEMENT OF VALUATION RESERVES

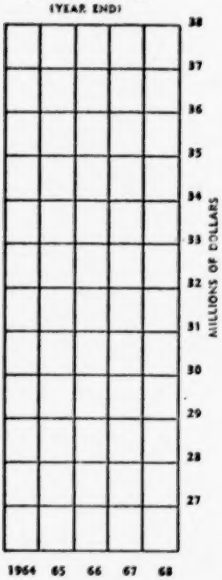
	Reserve for Loan Losses pursuant to IRS rulings	
	1968	1967
Balance, beginning of the year	$ 452,614	$ 402,102
Recoveries credited to this reserve	15,868	5,531
Transfers to this reserve	78,486	92,794
Total	546,968	500,427
Less losses charged to this reserve	44,849	47,813
Balance, end of the year	$ 502,119	$ 452,614

Low Cost Checking Accounts

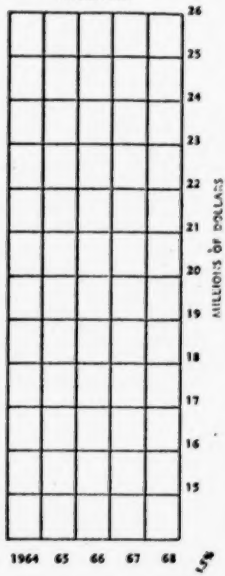
TOTAL ASSETS
(YEAR END)



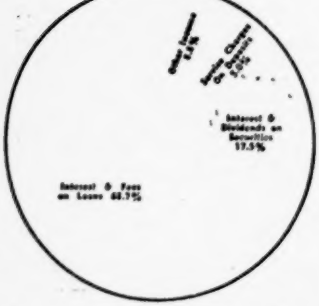
TOTAL DEPOSITS
(YEAR END)



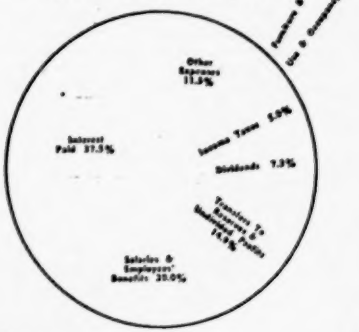
TOTAL LOANS
(YEAR END)



SOURCE OF INCOME

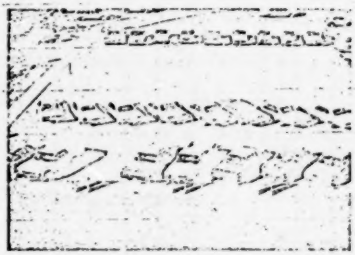


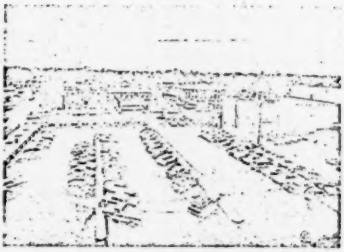
DISTRIBUTION OF INCOME



Savings Accounts

COMPARATIVE PICTURES OF PARKING LOT



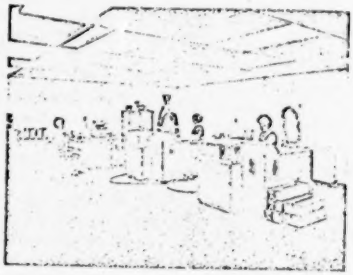


The two pictures shown above reflect the development in the bank's parking facilities that has taken place since the last Annual Report. The picture on the left shows the parking lot to the west of the banking quarters as it appeared in the 1967 Annual Report, while the picture on the right shows the parking lot as it currently appears. The one area on the right of the right hand picture is the area provided to Joslin's. The balance of the parking areas are used by your bank for customer parking and for lease to building tenants, Mountain States Telephone and Telegraph Company and others who desire this parking. The parking lot is still not finally completed in view of the fact that we are installing a new combination walkup-driveup structure which will give us a fourth driveup window as well as a walkup facility on the west end of the banking quarters to take care of those customers who desire to park and use this facility rather than a driveup window.

Your bank now owns the entire south half of the block. This land area should permit, as necessary, expansion and growth of our physical plant and customer parking for many years to come.

Savings Certificates

PICTURE OF LOWER REMODELING



The above pictures reflect new office facilities in the lower banking level that have been remodeled for the purpose of relocating all the audit and accounting functions to the lower banking level. We are extremely proud of these new quarters and invite you to come and view them whenever it is possible for you to be in the bank. Space that we held in reserve and did not use for the past ten years is now proving to be extremely valuable and we are exceedingly proud of these fine quarters in which our personnel work.

With the relocation of the auditing and accounting functions to the lower banking level, we are currently in the process of changing the configuration of the present tellers' line, locating an entrance on the south or Eleventh Street side of the building with the ultimate objective of relocating the Installment Loan Department to the area formerly occupied by accounting and auditing. Our Trust Department will then move to the area presently occupied by the Installment Loan Department. This will give each of these departments room for future expansion which is necessary due to the increased volume of business handled in each of these areas. Along with opening up of your main banking floor, creating better access to the various departments from three separate entrances to your bank, we will do an extended amount of redecorating of the bank's interior. It is hard to believe that we have been in these quarters since April of 1958 and we feel that the time has arrived in which sprucing up, cleaning up and redecorating has become mandatory. We are very proud of the plans that have been prepared for this job and hope that once the entire project has been completed you will be as pleased with it as we are.

Business and Personal Loans

STAFF MEMBERS

ADMINISTRATION

Robert M. Gilbert, President
Rex C. Eaton, Jr., Executive Vice President

CREDIT

Curtis S. Slife, Senior Vice President and Credit Supervisor

COMMERCIAL LOANS

James B. Gronstal, Vice President
A. R. Miller, Vice President
Dale J. Bristow, Assistant Vice President
Virgil J. Mathews, Assistant Vice President
Robert W. Pappenheim, Assistant Vice President
John Long, Agricultural Fieldman

INSTALLMENT LOANS

Loren L. Gale, Assistant Vice President
George Wolfe, Jr., Assistant Vice President
Alvin E. Vonfeldt, Assistant Cashier

OPERATIONS

Alejandro M. Gillespie, Vice President and Cashier
Elsie Erickson, Assistant Cashier
Richard J. Read, Assistant Cashier
Norman Wood, Assistant Cashier

TRUST DEPARTMENT

Louis C. Rieker, Vice President and Trust Officer
Russell F. Billings, Vice President and Farm Manager
Russell K. Haney, Trust Administrator

AUDITOR

Arthur L. Haviland

PUBLIC RELATIONS AND BUSINESS DEVELOPMENT

Thomas E. Fitzgerald, Assistant Vice President
Harold Hyde, BankAmericard Representative

THE FIRST NATIONAL BANK EMPLOYEES

Joyce Abrams
Joan Akers
Lois Akin
Mickey Baker
Connie Ball
Mary Ann Biehm
Sylvia Brass
Claudia Burgdorff
Mary Burum
Barbara Casteel
Helen Chapman
Carol Cox
Carolyn Cumberlin
Sasha Dawson
Mary DeCollier
Patty Drewer
Donna DuBois
Edythe Faulk
Bev Fosler
Judy Fox
Nell Foy
Velma Gordon
Mary Gray
Chuck Grayum
Becky Hawkins
Kay Holtfort
Susan Horner
Mary Jurgensmeier
Martha Kent
John Kerst
Dave Kliewer
Jim Lyons
Terry Mellon
Cordelia Meyer
Conrad Miller
Midge Morehead
Annetta Munstermann
Ned Nelson
Al Oriofsky
Marsha Quirk
Diane Richard
Phyllis Roth
Loretta Samson
Delores Schimpf
Wilma Schnell
Sheila Schweiger
Lorena Simmons
Linda Springfield
Chris Stein
Nancy Stuessi
Bobby Sutton
Paige Todd
Bev Torres
Fern Vielma
Dixie Walker
Dian Wilson

DIRECTORS

LEONARD N. BURCH
Banking and Investments

ROBERT S. DAVIS
Owner,
Davis Agency and Livestock

MARTIN R. DOMKE
Cattle Feeder

REX C. EATON, JR.
Executive Vice President
of the Bank

WM. S. GARNSEY
Colorado State Senator
President, Garnsey and Wheeler Co.

ROBERT M. GILBERT
President of the Bank

JOHN L. HALEY
Engineering Consultant
Nelson, Haley, Patterson & Quirk, Inc.

JOHN W. HENDERSON
Attorney-at-Law

DARRELL HOLMES, PH. D.
President, Colorado State College

HAROLD S. JONES
Owner, The Jones Company

CARL J. MAGNUSON
Former Colorado State Senator
Farmer and Cattle Feeder

JOSEPH F. PHELPS
President, Hensel Phelps
Construction Company

DEAN C. ROYER
President, D. C. Royer Agency

ERNEST B. SCOTT
President, Scott Realty Company

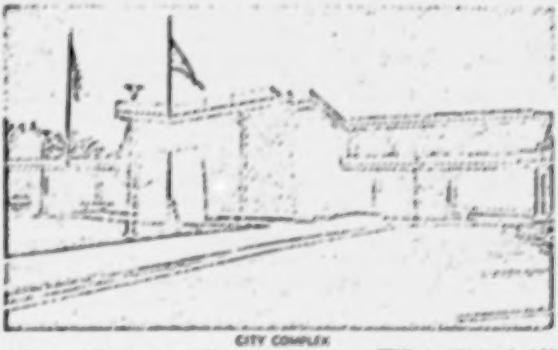
PHILLIP D. WEAVER, M. D.
Radiologist

WILLIAM H. SOUTHARD
Attorney-at-Law
Trustee, Colorado State Colleges
Elected to The Board of Directors
February 1968

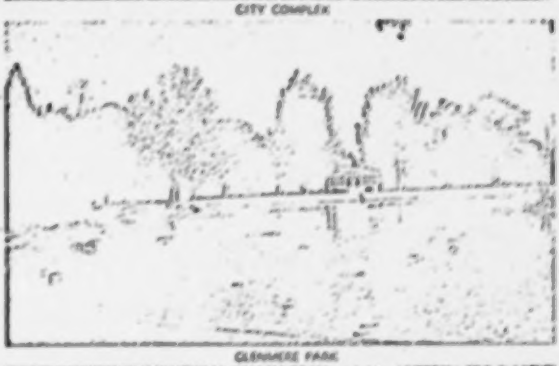
Member FDIC and The Federal Reserve System

Greeley, Colorado

A MARVELOUS PLACE IN WHICH TO LIVE AND WORK



CITY COMPLEX



GLENMERE PARK

CSC STUDENT CENTER

To Our Shareholders, Customers and Friends:

1969 marks the end of the soaring sixties and the beginning of another decade in the history of your bank - a Bank that has continuously served the Northern Colorado area for eighty five years as of May 4, 1969. As you will observe from the charts and reports, 1969 ended the decade with record earnings and deposits.

In my message to shareholders a year ago I mentioned that for many years the bank's accounting had been done on a strictly cash basis but that we were in the process of converting our major income and expense items to an accrual basis as a means of providing more meaningful comparisons between accounting periods, with the goal of completing the conversion during 1969; this was accomplished as planned.

Because of the reclassification of certain items, adjustments to reflect the results of operations on an accrual basis, and revisions to conform these statements with the new format prescribed by the Comptroller of the Currency in November 1969, the figures for 1968 have been restated and differ from amounts previously reported to our shareholders.

Among the principal revisions are requirements for the inclusion in operating expenses of a reasonable provision for loan losses (we have chosen the alternative based on the past five years including the current year reported,) the designation of net income for the year, the charging or crediting to Undivided Profits of any loan loss provision (less its tax effect) that is larger or smaller than the amount included in operating expense, and the classification of the Reserve for Loan Losses in the Balance Sheet between Total Liabilities and Capital Accounts. The net transfer to the Reserve for Loan Losses each year is the maximum amount deductible for income tax purposes, based on Internal Revenue Service rulings.

Along with these changes we obtained permission from the Comptroller of the Currency to write up the values of our Bank Premises and Furniture & Fixtures by $583,835 and $46,320, respectively, to bring the values carried on our books into line with values reported in tax returns for Federal income Tax purposes; the larger change was made in March 1969, the latter in January 1970, but they have been included retroactively in the Balance Sheet for 1968 and 1969 herein to provide comparability.

Investment securities are carried in the accompanying balance sheets at cost less, where applicable, amortization of premiums. Discounts are not taken into account (accreted) until the securities mature or are sold.

The net income per share (after taxes) for all sources of income and expense amounted to $2.82 per share.

Dividends declared during the year amounted to $1.65 per share on the 150,000 shares; of this, $1.40 ($210,000) was paid during 1969, with a special dividend of $0.25 ($37,500) to be paid January 9, 1970. This compares with $186,000 declared and paid in 1968, $180,000 in 1967, and $120,000 in 1966.

Most of you are aware of the unanimous decision of the Board of Directors to become a member bank of The First National Bancorporation, Inc. of Denver, Colorado. The application was submitted several months ago and has been reviewed by the Federal Reserve Bank of Kansas City and is now under consideration by the Board of Governors of the Federal Reserve System in Washington, D.C. If approved in Washington the proposed exchange of stock must be submitted to the stockholders of The First National Bank of Greeley, Colorado under rules and regulations pertaining thereto by the Securities and Exchange Commission. We will keep you advised of developments and trust the matter will be resolved one way or the other in the next few months.

1969 was a most significant and interesting period for the banking industry. As you are no doubt aware, interest rates reached an all-time high. The demand for money far exceeded the available supply. It became necessary for metropolitan banks to go into the European dollar market to fulfill their money demands. The First National Bank of Greeley found it necessary to borrow more money for the same purpose from either the Federal Reserve Bank or through the purchase of Federal funds, than in any other year. This money was expensive money, running as high as 10½% for Federal funds; yet it was necessary in order to fulfill the borrowing re-

POOR COPY ! BLURRED COPY

requirements of our many customers. Needless to say with the high competitive yields in other investments, the shifting of savings funds from the banking industry to Government securities, corporate bonds, etc., all tended to compound a situation that is already quite critical from the borrower's standpoint. It is not only critical because of the high rates that we must charge our borrowing customers but it is critical from the standpoint of the availability of the funds to fulfill the needs of these borrowing customers. For these reasons, in most parts of the country and particularly in the cities, there is almost a rationing of credit. Increased commitments are very difficult to obtain and when such loans are obtained, interest rates are extremely high. To date, we have not noticed in our own trade area any slacking in the demand for money even at these extremely high rates.

Continued strong competition from other investment opportunities had and will continue to have in the year ahead a good deal of influence on deposit activity. Certainly inflation has influenced the expense items that we are faced with and so we are anticipating additional expenses in this coming year over and above our money costs. We must realize that the staff, those people who dedicate their working lives to proper service to you and our customers, have to be rewarded commensurately with the labor market in the area as well as with the necessary salaries to offset the extreme inflationary period we have been faced with during the past year and a half. We are anticipating a successful year in 1970 and I recite the above comments only to point out to you as our shareholders that 1970 will be a most interesting year for the banking industry.

The general economy in the Greeley and Northern Colorado area has had some substantial strengthening in some areas and some severe setbacks in others. There is no doubt that the beet harvest for 1969 was extremely expensive and difficult and the returns very disappointing. Many growers were unable to complete their harvest and those that did complete their harvest found that due to the weather conditions the return on the beet crop was substantially below anticipated returns as well as below prior years averages. With a crop as important as sugar beets and the harvest in this particular area being as difficult as it was, it is bound to have its effects on the economy of our community. The early October snows likewise had their effect on the harvest of other crops, but not nearly to the damaging extent that they hurt the beet harvest.

The challenge of the Seventies will be a very real one. Banking institutions and personnel will continue to be called on to provide new and broader services and to expand and develop existing services and facilities. Technological changes and inovations will present your staff and directors with many decisions during the Seventies. Our physical plant is in excellent condition with plenty of room for growth. Our staff is alert and aggressive. We expect the Seventies to produce continued growth and development.

Sincerely,

Robert M. Gilbert

Robert M. Gilbert

President

Bank FIRST ...Right, now!

BALANCE SHEET

December 31

RESOURCES	1969	1968
Cash and Due from Banks	$ 6,656,962	$ 4,857,307
U.S. Treasury Securities	4,103,729	4,113,108
Obligations of States and political subdivisions	6,172,825	7,076,606
Stock in Federal Reserve Bank	90,000	90,000
Loans, gross	27,463,155	25,717,037
Bank Premises and Equipment	1,467,810	1,374,480
Other Real Estate	84,001	93,354
Other Assets	498,816	436,063
Total Resources	$ 46,537,298	$ 43,757,955
LIABILITIES		
Deposits		
a. Demand Deposits	$ 17,746,778	$ 14,273,323
b. Time Deposits	22,515,850	22,669,273
Total Deposits	40,262,628	36,942,596
Federal Funds Purchased	—	1,000,000
Other Liabilities	787,503	558,344
Total Liabilities	$ 41,050,131	$ 38,500,940
RESERVES ON LOANS		
Reserve for Loan Losses	$ 547,835	$ 502,119
CAPITAL ACCOUNTS		
Capital Stock		
Common Stock, total par value	$ 1,500,000	$ 1,500,000
Number of shares authorized 150,000		
Number of shares outstanding 150,000		
Surplus	1,500,000	1,500,000
Undivided Profits	1,939,332	1,754,896
Total Capital Accounts	$ 4,939,332	$ 4,754,896
TOTAL LIABILITIES, RESERVE, AND CAPITAL ACCOUNTS	$ 46,537,298	$ 43,757,955

Use Your Personalized

STATEMENT OF EARNINGS

	1969	1968
OPERATING INCOME		
Interest and fees on loans	$ 2,117,349	$ 1,776,420
Income on Federal Funds Sold	9,665	16,657
Interest and Dividends on investments		
U.S. Treasury securities	197,011	179,835
Obligations of States & political subdivisions	223,360	246,502
Other Securities	5,400	5,152
Trust Department Income	70,075	61,271
Service Charges on deposit accounts	133,421	125,468
Other service charges, collection and exchange charges, commissions, and fees	6,139	7,301
Other operating income	90,277	97,036
Total Operating Income	$ 2,852,706	$ 2,515,642
OPERATING EXPENSE		
Salaries and Wages	$ 470,482	$ 434,668
Pensions and other employee benefits	88,849	79,195
Interest on deposits	1,059,233	990,035
Interest on borrowed money	9,247	1,658
Expense of Federal Funds Purchased	32,300	21,790
Occupancy expense of bank premises, net	85,122	65,581
Furniture and equipment, depreciation, rental costs, servicing, etc.	74,805	32,975
Provision for loan losses	87,735	116,207
Other operating expense	261,315	282,802
Total Operating Expense	$ 2,169,088	$ 2,024,911
INCOME BEFORE INCOME TAXES AND SECURITIES GAINS OR LOSSES	$ 683,618	$ 490,731
APPLICABLE INCOME TAXES	239,703	125,369
INCOME BEFORE SECURITIES GAINS OR LOSSES	443,915	365,362
NET SECURITIES GAINS (LOSSES)		
1969 Gross $ (49,336)		
Net of Tax Effect	(20,327)	
1968 Gross 43,881		
Net of Tax Effect		29,905
NET INCOME	$ 423,588	$ 395,267
EARNINGS PER COMMON SHARE		
Income before Securities Gains (Losses)	$ 2.96	$ 2.44
Net Income	2.82	2.64
Dividends Declared	1.65	1.24

Complete Trust Services

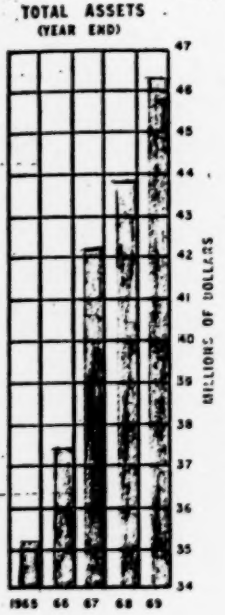
RECONCILEMENT OF CAPITAL ACCOUNTS

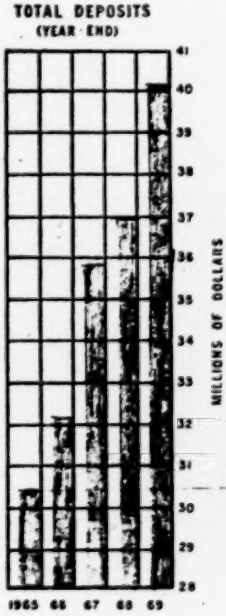
	1969	1968
Balance, beginning of year	$ 4,754,896	$ 4,530,088
Additions:		
Transferred from Statement of Earnings	423,588	395,267
Transferred from Reserve for Loan Losses: difference between the amount charged to Operating Expense and the amount permitted under IRS Rulings less tax effect	8,348	15,541
	5,186,832	4,940,869
Deductions:		
Cash Dividends declared:		
1969: $ 1.65 p. share on 150,000 shares	247,500	
1968: $ 0.30 p. share on 120,000 shares		186,000
1.00 p. share on 150,000 shares		
Balance, end of year	$ 4,939,332	$ 4,754,896

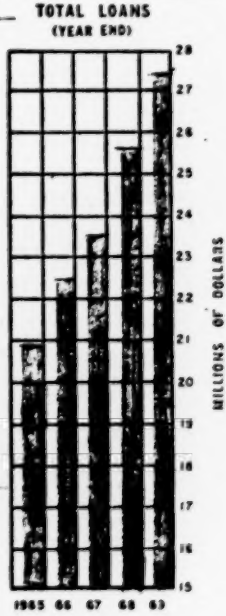
RECONCILEMENT OF VALUATION RESERVES

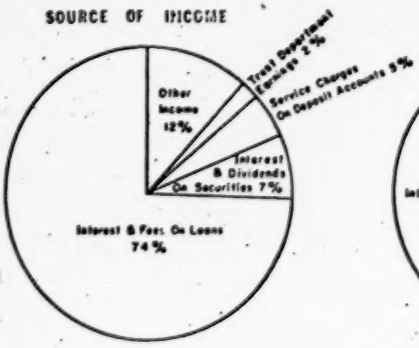
	Reserve for Loan Losses pursuant to IRS Rulings			
		1969		1968
Balance at beginning of year		$ 502,119		$ 452,614
Recoveries credited to this Reserve		29,685		15,868
Transferred from Operating Earnings	87,735		116,207	
Less credit to Undivided Profits	20,265		37,721	
Net transfer to Reserve		67,470		78,486
		599,274		546,968
Loan chargeoffs		51,439		44,849
Balance at end of year		$ 547,835		$ 502,119

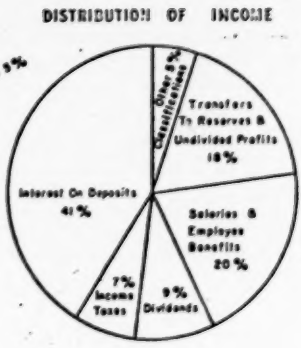
Low Cost Checking Accounts





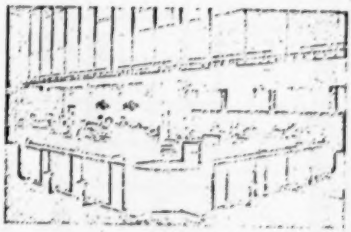




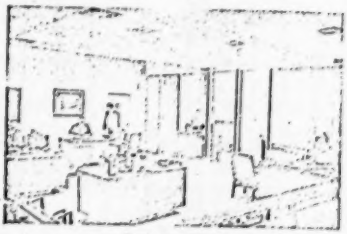


Space Age Savings Accounts

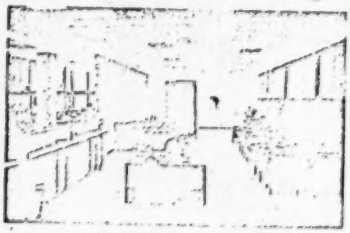
Main Banking Level Remodeling



Lobby



Trust Department



Installment Loan Department

Above you will see several pictures of the main banking level, which was completely redecorated and remodeled during 1969. The changes included a new entrance on the south side of the building, change in the configuration of the teller's line, as is reflected above. This permitted us to relocate the Installment Loan Department to the south area of the main banking level and then move the Trust Department to the northwest corner of the main banking level, the area formally occupied by the Installment Loan Department. Both of these departments now have badly needed room for expansion. It also permits additional expansion in the Commercial Loan area. The functional aspects of the change in the teller line, the new entrance on the south have been most gratifying. We feel that with these changes and the improvement in the lighting and the overall attractiveness of the main banking level not only is much more pleasant for our employees but permits our staff to work and serve our customers in a more pleasant and efficient manner.

The new walk-up drive-up island just west of the present bank building is completely operational now and serving our many customers very satisfactorily. As a result of this island we now have walk-up service available outside the main banking building from 8:30 until 5:30, as well as the normal drive-up service available each banking day for the same period of time. As was reflected in the letter from the bank's president, please feel free to stop by our bank on any occasion and view these many significant changes. Ask any of our staff and they will be most happy to show you, personally, what we have done to improve our banking facilities.

Savings Certificates

ELSIE ERICKSON

At the bank's annual employee Christmas party held December 19th, Miss Elsie Erickson was congratulated and appropriately recognized for her many years of dedicated and loyal service to your bank. Elsie commenced her employment at The First National Bank on February 29, 1920 and will have completed 50 years of exemplary service to the customers of The First National Bank on February 28, 1970. It is indeed unusual for an organization to be favored as The First National Bank has been with such a dedicated, outstanding, loyal staff member.

At the coming Colorado Banker's Convention late in the Spring of 1970, Elsie will there be awarded the Colorado Banker's Association 50 Year Service Award, an award attained by few bankers and one she will receive most deservedly.

It is difficult to express sufficient gratitude and thanks to one who has served your organization as well as Elsie Erickson has. We couldn't let this 1969 Annual Report be completed without commenting upon this very significant occasion that will take place in February 1970.

Business and Personal Loans

STAFF MEMBERS

ADMINISTRATION

Robert M. Gilbert, President
Rex C. Eaton, Jr., Executive Vice President

CREDIT

Curtis S. Slife, Senior Vice President and Credit Supervisor

COMMERCIAL LOANS

James B. Gronstal, Vice President
A. R. Miller, Vice President
Dale J. Bristow, Assistant Vice President
Virgil J. Mathews, Assistant Vice President
Robert W. Pappenheim, Assistant Vice President
John Long, Agricultural Fieldman

INSTALLMENT LOANS

Loren L. Gale, Assistant Vice President
George Wolfe, Jr., Assistant Vice President
Alvin E. Vonfeldt, Assistant Cashier

OPERATIONS

Alejandro M. Gillespie, Vice President and Controller
Elsie Erickson, Assistant Cashier
Richard J. Read, Cashier and Security Officer
Norman Wood, Assistant Cashier

TRUST DEPARTMENT

Louis C. Ricker, Vice President and Trust Officer
Russell F. Billings, Vice President and Farm Manager
Russell K. Haney, Assistant Trust Officer

AUDITOR

Arthur L. Haviland

PUBLIC RELATIONS AND BUSINESS DEVELOPMENT

Thomas E. Fitzgerald, Assistant Vice President
Harold Hyde, BankAmericard Representative

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Jean Akers
Lois Akin
Marcia Allbaugh
Connie Ball
Mary Ann Biehm
Sylvia Brass
Emma Cain
Cheryl Carlson
Barbara Casteel
Helen Chapman
Marlene Cook
Carol Cox
Mary DeGolier
Dorothy DeVore
Patricia Drewer
Donna Dufiois
Edythe Faulk
Beverly Foster
Judy Fox
Nell Foy
Velma Gordon
Charles Grayum
Susan Horner
Mary Jurgensmeier
Terry Kakeldey
Martha Kent
John L. Kerst
David A. Kliewer
Sheila Kido
Nancy Lucas
David Meier
Cordelia Meyer
Conrad J. Miller
Julia Morehead
Pamela Oesterle
Allan W. Orlofsky
Lyle Dean Perry
Rhonda Peterson
Leona Plowman
Loretta Samson
Delores Schimpf
Wilma Schnell
Sheila Schweiger
Lorena Simmons
Linda Springfield
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Cheryl Stromberger
Nancy Stuessi
Paige Todd
Beverly Torres
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President, Garnsey and Wheeler Co.

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PHILLIP D. WEAVER, M.D.
Radiologist

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MONDAY THROUGH FRIDAY
9:30 A.M. - 3:00 P.M.
Installment Loan Department
9:00 A.M. - 5:00 P.M.
Drive-in Windows
8:30 A.M. - 5:30 P.M.
Walk-up Windows
9th Avenue - 8:30 - 9:30 A.M.
3:00 - 5:30 P.M.
11th Street Island - 8:30 A.M. - 5:30 P.M.
Phone: (303) 352-1651

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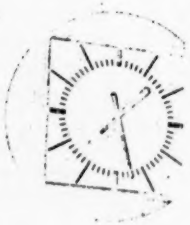

A growing metropolis, an industr
exploding community, a cult
renaissance, a dynamic force —
Denver metropolitan a
fulfills all of these conce

On subsequent pages, y
will find factual details of
Denver metropolitan are
growth patte

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different after a
Denver is everyone's metropoli

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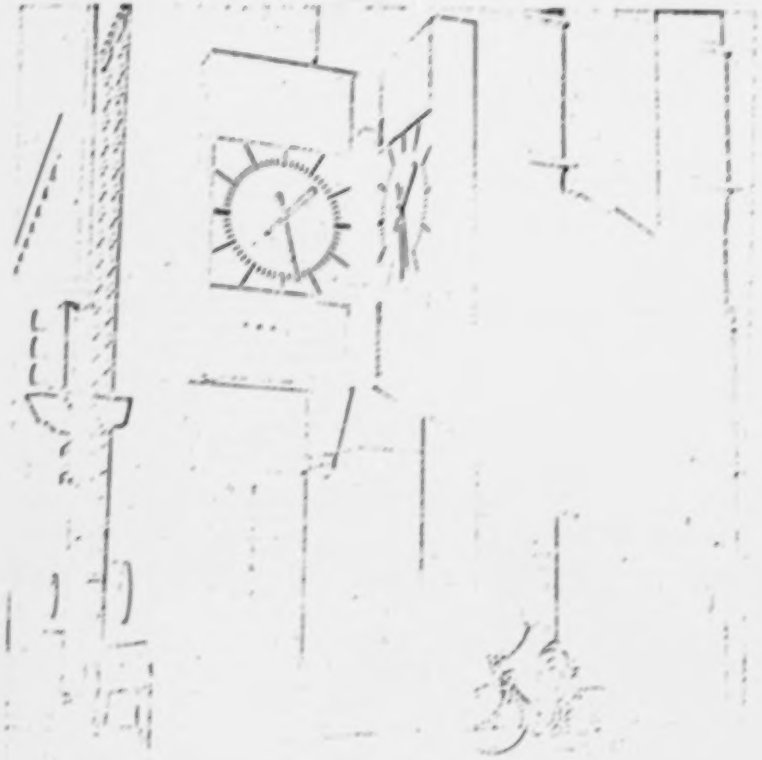
The clock is at the center of everything. Everybody who arrives by [illegible] up. They all seem very busy. Everyone's [illegible] a lot of talk. Too busy to notice that I had my bike on the sidewalk.

What time is it? How warm is it? The answers are at 17th and Walton Streets, where, in only eight years, the time and temperature sign of The First National Bank of Denver has become a true landmark. The sign operates on a synchronized IBM Master Control Sign System in the heart of the city's financial community.



In what proved to be a substantial understatement, The Bank's 1965 Annual Report said of the coming year: "1966 is certain to be a rather hectic one, replete with new problems because of the substantial change in our entire rate structure which started in December of 1965." During the eight months from December 8, 1965, through August 17, 1966, the Prime Rate went up four times — from 4½% to 6%; aggregate loans in the commercial banking system increased about 15%, and lendable funds became so scarce by the end of August that the U.S. financial community was as close to panic status as has been witnessed since the disastrous days of the late 1920s.

Throughout 1966, however, the Federal Reserve Rediscount Rate — the interest rate charged by the "Fed" on loans to its member banks — remained at the 4½% level established on December 5, 1965. Thus, despite common misconceptions and despite the fact this Rediscount Rate has been completely disproportionate to the Prime Rate since March, the upward change of loan rates was not fundamentally instigated by the Federal Reserve System. Responsibility rested with a classic performance of the basic economic law of supply and demand which began in mid-1965.

Capital expenditures by industry in 1966 rose some 17% to about [illegible] billion dollars, accompanied by huge shifts of funds away from savings institutions into the general money markets, a process described by the jawbreaking term "disintermediation." By mid-summer the nation virtually had run out of money for business or personal expansion. With the continuing escalation of the Viet Nam war and no inclination on the part of the Administration to curb Government spending of any kind, the fires of inflation were in full flame and caused the Federal Reserve Board of Governors to institute some strong restrictions on borrowings of its member banks. By the end of September it was obvious that these restrictions, either by themselves or coupled with the fact that the over heated national economy already had begun to cool off, were producing some moderation of loan demand and early signs of a general downturn in rates. This downturn was exemplified by lower yields on such standard money market instruments as government, municipal and corporate bonds.

In 1966, net operating earnings after taxes were $3,500,[illegible] or $7.00 on each of the 500,000 shares of The First's capital stock outstanding at year end, compared to $2,622,140 and $5.24 per share in 1965. This is an increase of $878,[illegible] or 33.6% over 1965 results, and 1966 therefore was, by a considerable margin, the best year in the Bank's history.

In a special meeting in October stockholders authorized a 2½ for 1 split of capital stock, plus a 1-share-for-9 stock dividend on the total number of shares outstanding after the stock split. A commensurate decrease was made in the par, or bookkeeping, value per share from $50 to $20. Concurrently, the Board of Directors authorized the transfer of $1,000,000 from Undivided Profits to the Capital Account, and another $1,000,000 to Surplus. As a result of these rather complicated moves, capital structure at year-end was as follows:

Capital Stock (500,000 shares $20 Par)	$10,000,000
Surplus	20,000,000
Undivided Profits	6,[illegible]
Total Capital Funds	$36,[illegible]

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In 1966, net operating earnings after taxes were $3,500,848 or $7.00 on each of the 500,000 shares of The First's capital stock outstanding at year end, compared to $2,672,140 and $5.24 per share in 1965. This is an increase of $828,708, or 33.6% over 1965 results, and 1966 therefore was, by a considerable margin, the best year in the Bank's history.

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Capital Stock (500,000 shares $20 Par)	$10,000,000
Surplus	20,000,000
Undivided Profits	6,028,165
Total Capital Funds	$36,028,165

The First's annual Christmas tree is made of tumbleweed and hand-fashioned on iron frame, then covered with snow white flock. More than 7,000 multi-colored wheat lights imported from Italy provide the lighting. Appearance of the tree has been a holiday event since 1958. After Christmas, it is stored.

→ 11

* * *

Total deposits on December 31, 1966, were $441,270,155, an increase of $14,000,000, or 3% over a year earlier. This increase was highly gratifying in view of the general downward deposit trend across the nation in the final quarter of 1966, although most of the increase was in the interest-bearing Time category. As usual, however, we prefer to measure progress by average deposit totals rather than those on any given day of the year. In this regard, 1966 average deposits were $436,100,000, some $23,635,000, or 5.7% above the $412,465,000 average in 1965.

Net loans at year-end aggregated $265,878,187, less than 1% greater than the $263,358,543 figure at the end of 1965. The trend of loans was strongly upward through August and then, contra-seasonally, leveled off, attesting to the "cooling off" which seemed generally to have pervaded the nation's economy in the last three or four months of the year.

On December 31, Loan Valuation Reserve (Reserve for Possible Loan Losses) stood at $2,927,058. During the year, $700,000 was added to this Reserve ($1,000,000 in the last two years), but the addition is shown only in Reconcilement of Capital Funds. No part is reflected in operations figures on Page 24 of this Report. The large addition of funds to this reserve account far exceeded the actual losses on loans incurred by the Bank during the year.

With the exception of mortgage loan activity, which reached its lowest level in a decade, Colorado's economy in 1966 gave further signs of emergence from the static fo which characterized 1963/65. Unemployment, at 3.3%, well below the national average; the population of the s increased 2.7%; the average number of workers in ma facturing jobs increased a healthy 7.6%; bank debits w up 12.5% and life insurance sales increased 7.3%. All all, the economy of the state experienced one of the h est growth rates in the 1960s and it is not unreasona to believe that this growth will now go forward at increasing rate.

1967 can hardly be as hectic a year in the banking indus as was 1966. At the outset of 1967, loan demands in m parts of the nation are easing, automobile sales are d pointing, construction activity is still sluggish — mo because of high interest cost than lack of funds — a rat. sales are up over last year, but not much. Som small increases in unemployment are beginning to appe and anticipated business capital expenditures for 1967 a less than half those of 1966.

Costs of doing business, however, continue inexorably u ward, and 1967 will present a decided challenge to t banking industry to offset what may be decreased gro income by lowered costs and new sources of revenue. Th banking industry, in short, will be hard put to match 1966's record-breaking earnings.

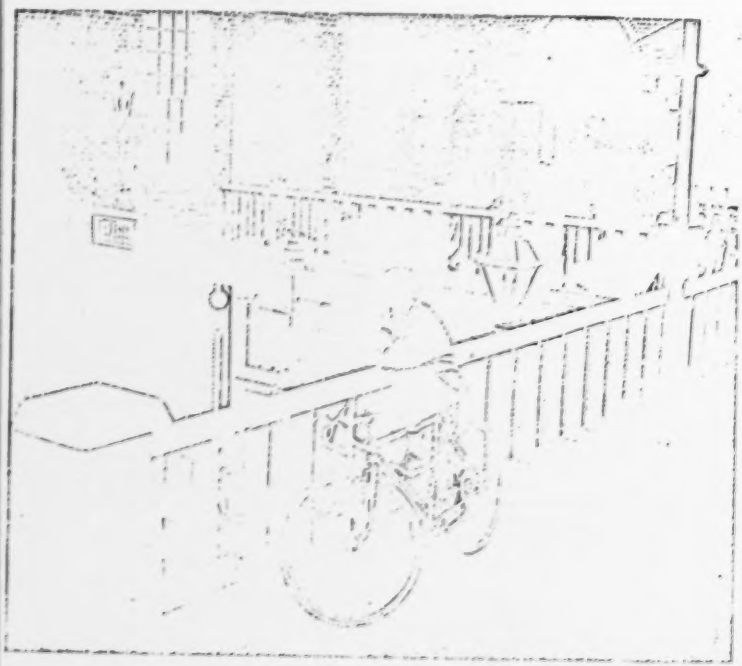
As always, we express appreciation to the staff and stock holders for their efforts in behalf of the Bank, and sincerely hope these efforts will continue in 1967. Banking in the Denver Area remains highly competitive and The First must always remain alert to keep present customers through excellent service, as well as to seek new depositors.

Sincerely,

Montgomery Dorsey, Chairman of the Board

Eugene H. Adams, President

This is sort of like traveling in a time tunnel, the way it is on TV. I'm in another world and it's very different. I like it.



Larimer Square is a revitalized area at the center of Denver's history. It was at the north end of the block — fronting on Larimer and bounded by 14th and 15th Streets — that General William E. Denver established Denver City in 1858. Today's Larimer Square includes 18 Civil War vintage buildings, handsomely restored and featuring a new dimension of dining, sipping, viewing and shopping.

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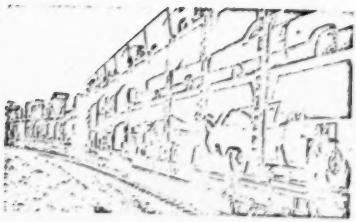


Since public-spirited Denver citizens in the last century financed and built track to put Denver on direct central transcontinental routes, railroads have been at the center of the area's growth. Today 93% of all new automobiles for sale in the Denver area are brought in by rail. Such application of new concepts to difficult transportation problems continues to place railroads among community leaders.

On December 31, 1966, holdings of United States Government and government guaranteed securities, were $54,855,393 (amortized cost), compared to $49,973,033 at the end of 1965. These bonds have an average maturity of 204 days, and produced during the year an average yield of 4.62%.

Municipal bond holdings, including a small inventory of the Bond Department, were at $29,763,385, about $2 million less than a year ago. The portfolio has an average maturity of 4.16 years, and at year-end was producing an average tax-exempt yield of 3.28%.

Cash in vaults, due from the Federal Reserve Bank and about sixty major banks in the United States, totaled $117,117,407. This cash alone is equivalent to about 27% of the Bank's total deposits, and with the addition of government securities the Reserve Ratio at year-end was almost 40% — one of the highest reserves of any major bank in the nation.

The serious coin shortage of 1964 and 1965 was materially relieved in 1966 except for half-dollars, almost all of which continued to disappear from circulation. Early in 1967

	1966	1965	Change
Net Operating Earnings After Taxes	$ 3,500,848	$ 2,622,140	+33.6%
Per Share (Based on 500,000 Shares)	$ 7.00	$ 5.24	+33.6%
Cash Dividend	$ 1,400,000	$ 1,170,000	+19.6%
Cash Dividends Per Share ($20.00 Par Value)	$ 2.80	$ 2.34	+19.6%
Book Value (Based on 500,000 Shares)	$ 72.00	$ 69.00	+ 4.3%
Total Assets at Year End	$483,837,184	$466,443,905	+ 3.7%
Average Assets — Net	$478,100,174	$449,546,051	+ 6.4%
Deposits at Year End	$441,270,155	$427,416,240	+ 3.2%
Average Deposits	$436,110,300	$412,464,935	+ 5.7%
Loans at Year End	$265,878,187	$263,358,543	+ 1.0%
Average Loans	$262,210,395	$229,506,158	+14.2%
Number of Loans	21,029	19,021	+10.6%
Total Capital Funds at Year End	$ 36,028,165	$ 34,295,585	+ 5.1%
Addition to Capital Funds — Per Share (Based on 500,000 Shares)	$ 3.47	$ 2.59*	+31.0%
Number of Stockholders	947	965	+ 2%
Number of Banking Offices	1	1	

*Exclusive of capitalization of equipment and leasehold improvements as of July 1, 1

COPY PRINTED CLOSE TO EDGE

For many years it was said—with reason—that "not to see Elitch's is not to see Denver." The 40-acre Gardens combine the flippant fantasy of an amusement park with a magnificent floral setting and a summer playhouse which is the oldest stock theater in the United States.

It's a crosstown ride on my bike and my legs hurt. The rest of me is tired too, but looking in the mirror makes me feel I'm somebody else, so how can I be tired? I wonder how another ride on the roller-coaster would be.

Long famed in its region, Adolph Coors Company of Golden continues to realize steady gains in sales volume. The brewery management has won great respect not only for its basic product, but for its initiative in technological advances and its stance of dedicated citizenship.

, the United States Mint announced an augmented ion rate and also indicated (attested by our own that halves are beginning to appear on change s and in bank deposit windows.

of substantial vacancies in first-class office build- downtown Denver, the Bank building continued out 1966 to be fully occupied. A major problem is accommodate present tenants in need of more ncluding the Bank. The new computer centers con- over the roof of the garage in 1965, one for bank one for Hamilton Funds, have proven to be very lory.

rtgage on the building, payable to Equitable Life ce Society, was, at year-end, $6,048,166. During 1966 rnational Realty Company, owner of the tower and underlying leasehold estates, purchased a four lots on California Street, subject to existing n two lots. The Bank, either directly or through lly-owned building company, now controls, with ption of only two lots, the entire block bounded nteenth and Eighteenth Streets and California and Streets.

mber 31, 1966, net deposits were $441,270,155, an of $13,853,915, or 3% over the previous year-end.

The changes in major categories for the year are as follows:

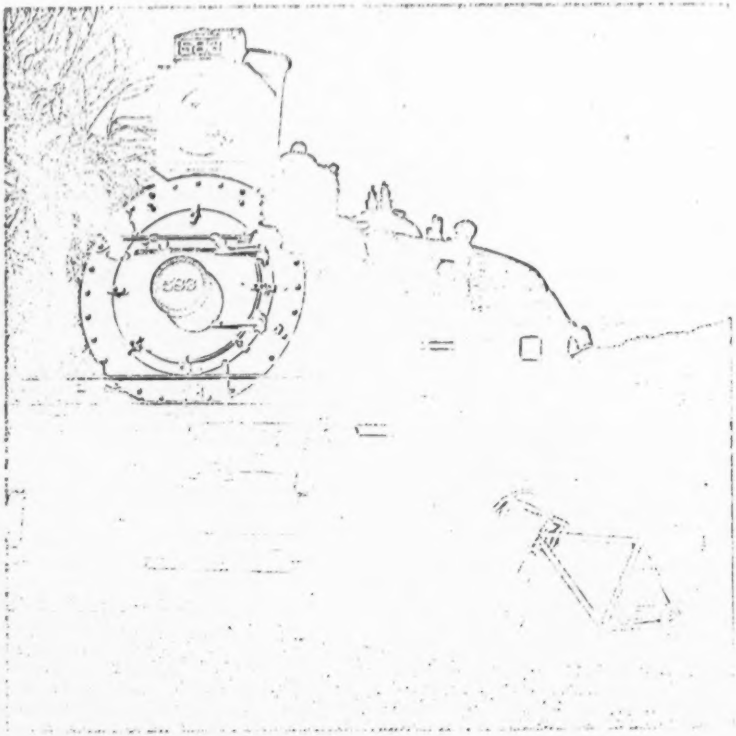
	12/31/66	Increase (Decrease)
Demand Deposits of Individuals and Corporations	$191,972,166	$ 80,016
Time and Savings	184,691,639	9,828,021
U.S. Government	8,076,459	(1,854,996)
Other Public Funds	9,841,113	4,395,364
Correspondent Banks	46,688,778	1,405,510
TOTAL	$441,270,155	$13,853,915

As is consistently pointed out, however, average deposits are a more meaningful barometer of progress than is the deposit total on any given day, and the average total net deposits of the Bank since merger with The International Trust Company in 1958 are as follows:

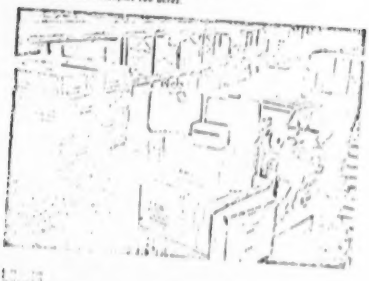
On page 20 of this Report is an eight-year comparison of the Bank's growth in all major statistical areas, including year-end deposits throughout this period, which show an increase of 47% in the eight years.

These engines don't run any more — but they did once. They look like they're going places if the funny-shaped switches will let them. I know it's not for real anymore, but if it's not, why do I keep smelling engine smoke?

The past projects itself vividly into the present at the Colorado Railroad Museum. The museum building resembles a railroad station of the 1880s. The locomotives, cars and engines cast an aura of nostalgia for the pioneer days which are no more—days of the narrow gauge, the "Galloping Goose" motor-rail car and other mementos, all displayed at the Museum.



Samsonite Corporation, the nation's largest manufacturer of luggage, this year completed construction of a new warehouse facility in Montebello Industrial Park northeast of Denver. This largest warehouse for luggage in the world has 210,000 square feet of space and occupies 100 acres.



At year-end, loans aggregated $265,878,187, only about $2.5 million greater than at the end of 1965, attesting to the "cooling off" mentioned in the Message to Stockholders at the start of this Report. By way of further illustration, the loan total at the end of August, 1966 was some $38,000,000 greater than twelve months earlier, but the usual Fall demand for loans in this area did not materialize. At year-end, therefore, although the total remained fairly steady throughout the fourth quarter, it was only 1% higher than on December 31, 1965.

As a general commentary on this past year, it is very interesting to note that the almost frantic demand for loans which pervaded much of the rest of the nation, particularly the major cities of the East, did not materialize to any comparable extent in the agriculture-oriented Tenth Federal Reserve District, which comprises, in general, the states of the Great Plains and Eastern Rocky Mountains.

Loans averaged $262,210,395 in 1966, compared to $229,506,158 in 1965, and the average rate of interest on loans rose to 5.90% from the 5.40% of 1965.

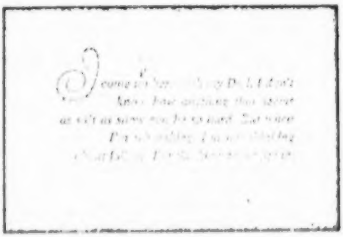
Refer to the tables on Page 20 for year-end loan figures for the eight-year period 1959-66.

	1966	1965
Loans for Commercial, Industrial or Individual purposes	$129,355,817	$126,412,258
Real Estate loans, construction financing, Builders, mortgage brokers, etc.	60,009,139	67,036,379
Loans originating from correspondent banks, all types	62,506,550	57,449,220
Consumer Credit (personal, instalment)	16,933,739	14,911,373
Total Loans	$268,805,245	$265,809,230
Loan Reserves	2,927,058	2,470,687
Net Loans	$265,878,187	$263,338,543

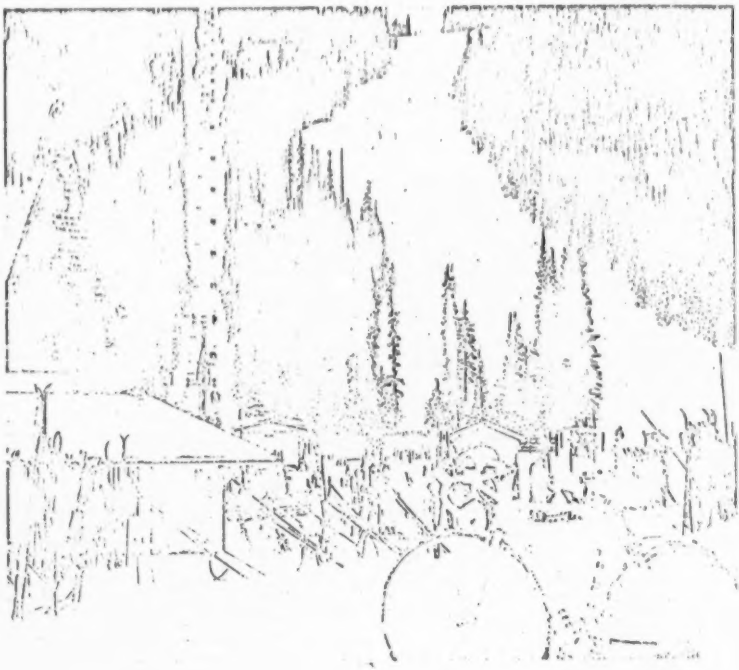
Net operating earnings after taxes were $3,500,[illegible], 33.6% over the $2,622,140 total of 1965. Earnings per s[illegible] were: 1966 — $7.00; 1965 — $5.24. Both of these figures adjusted to the 500,000 shares of stock now outstand[illegible]

Addition to Undivided Profits was $1,732,579. This was [illegible] payment of $1,400,000 in dividends, transfer of $700,[illegible] Reserve for Possible Loan Losses (before taxes), loss $56,893 on sale of securities (before taxes), and mis[illegible] laneous recoveries of $1,700.

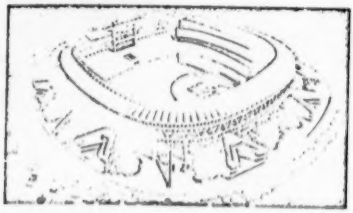
Gross income was up 20% to $24,720,640, while gross penses went up 15% to $18,803,792. Of the increase expenses, 42%, or $1,002,500, was in higher interest o on Savings and Time Deposits. The total cost of this i[illegible] est in 1966 was $7,655,325, 41% of our aggregate expe[illegible] The average rate of interest received by our savin[illegible] time depositors was 4.35% versus 4.05% in 1965. Ho[illegible] fully, interest cost in 1967 may remain stable or po[illegible] even decline somewhat.



Loveland Basin, 56 miles west of Denver, above timberline, boasts 22 ski runs, huge open bowls, jumping hills and numerous beginners' and instruction areas. Thousands travel by car and by bus during the winter weekends to cavort at Loveland Basin, one of the many ski areas which symbolize Colorado's popularity in the burgeoning race-to-the-slopes.



This modern, $20 million Metropolitan Stadium has been proposed to meet the outdoor sports needs of the four-county Denver area. Featuring midway access, the structure is designed for future addition of a dome to make it an all-weather stadium. It is expected to generate millions of dollars of business and to put Denver squarely into the mainstream of the nation's major sports activities.



Regional growth depends in great part upon the availability of mortgage loan funds, both for construction and long-term financing of industrial plants, warehouses, office buildings, shopping centers, hospitals, motels, apartments, and homes — the visible signs of such growth. Despite generally tight money conditions during 1966, the Real Estate Loan Department continued to be a leader in providing mortgage loan funds in this area. The First compiled the largest dollar volume of mortgage loan recordings of any local lender, as well as the largest volume in the history of the Bank, a total of nearly $48 million, up 46% over 1965.

Significant among the construction loans made by the Bank are two of the area's largest regional shopping centers, the recently completed Villa Italia Center and the addition to the North Glenn Center now under construction. Also important is the Bank's loan on the forty-two story downtown Brooks Towers apartment building and construction financing for several of Denver's largest home builders to help meet the ever increasing need for modern living units. In addition to the loans made in the Denver Metropolitan Area, the Bank also financed major projects in Fort Collins, Colorado Springs, Fort Morgan, Durango, and Lubbock, Texas. Total disbursements made on construction loans in 1966 were $21,544,384, up 25% over the year 1965.

Long term mortgage loans originated by the Department aggregated $17.5 million, of which the Trust Department provided funds of $6 million, primarily for single family houses.

The First continues to be the area's most active bank in providing lines of credit to mortgage bankers. Twenty mortgage banking firms warehoused more than $93 million in loans with The First, which helped them to continue providing mortgage money in the region until such time as institutions from throughout the country fulfilled their commitments to purchase these loans for their own investment accounts.

Reorganized during the year, trading volume of this im portant department was well over twice that of 1965, and at year-end, inventory had been reduced to a low level In spite of the fact that this department performs most o its services for our correspondent banks or for our own bank, at no profit to itself, the 1966 earnings were at a satisfactory level.

Full employment throughout the nation always brings in creased employee turnover to industry and the anticipated acceleration in the Bank's turnover for 1966 materialized early in the first quarter and maintained its velocity throughout the year, about in line, however, with industry experience. In 1965 there was a decrease in staff from the previous year; however, in 1966 it increased modestly to approximately the same level as year-end 1964.

As mentioned elsewhere in this Report, the Bank, because of increased volume, has found it necessary to take over addition l space in the upper floors of the building. The Personn l Department is one which has outgrown its space on the mezzanine floor and, accordingly, is moving to the fifth floor early in 1967. The new space will be ample for

The forerunner of the Denver Union Stock Yards—the Bull's Head Corral—came into being in 1865 near what is now the Denver Union Station. Subsequently, cattle yards were crowded northeast and the present Stock Yards became a cattle center of the Rocky Mountain Region. The adjoining Coliseum is still the home of the famed National Western Stock Show, Horse Show and Rodeo.

I don't see how anything that looks so small on the place can look so big on the hoof. I get the feeling that if animals know what I'm thinking, I wish I knew what they are thinking.

Denver and Rio Grande's high speed mainline freight trains follow the Colorado River through 200 mountainous miles. The line, Colorado's "home railroad," serves Denver, Colorado Springs, Pueblo and most of the western two-thirds of the State as well as Salt Lake City and Ogden, Utah.

private interview offices, staff conferences, and testing rooms for applicants, in keeping with modern personnel administration techniques and employment statutes.

Of interest to our stockholders may be the fact that the average age of officers is 43 years; of non-officer personnel — 33 years. Of the total staff 38% are male, 62% female.

William M. White, Sr., who was named to the Bank's Board of Directors in 1955, met an untimely death August 16 in an automobile accident.

Donald E. Provost, president of Stearns-Roger Corporation, was elected to succeed Mr. White at the September 21 meeting of the Board.

During 1966 eleven staff members retired under the pension plan. The Bank is proud to recognize these loyal officers and employees, whose names and years of service are listed.

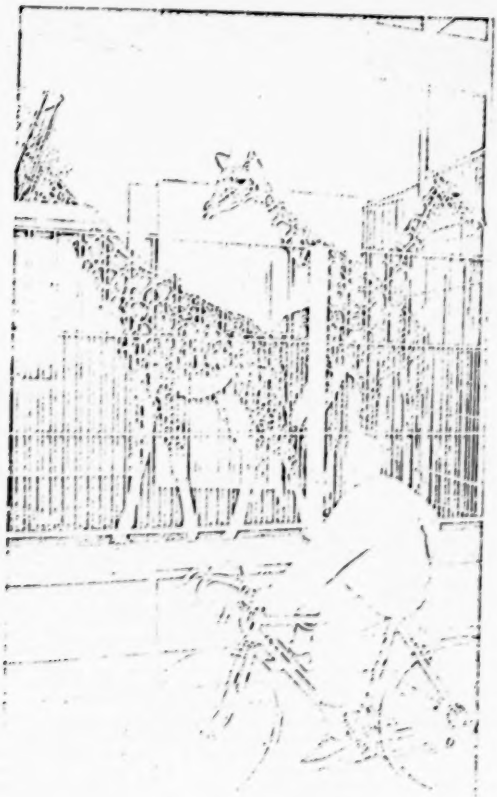
Elmer W. Johnson	45
Olin Brown	43
Christine M. Galuppo	43
Marguerite Fenske (deceased 9/24/66)	37
Floyd Hammond	31
Margaret W. Kilpatrick	25
Carl Laufenberg	24
Margaret M. Williams	22
Viola T. Thorne	17
Rose B. Campbell	14
Lois Duncan	14

Additional people were required during the year 1966 t process increases in both the volume and complexity c handling customers' accounts. A third General Electr 415 Computer was added in November to accommodat the data processing needs of additional banks, financ companies and other customers. The bank is now offerin its customers a Payroll service and an Account Reconcili tion service, in addition to the demand and savings depos and instalment loan accounting offered to correspondent banks. The Bank's own Commercial Loan accounting wi be placed on the computer in mid-1967. Additional dat processing services are in the development state.

The addition, during 1966, of many new Lock Box arrange ments for business customers testifies to the increasin importance of this method in speeding up the collection of checks.

In April, 1967, the Bank anticipates delivery of a new and highly sophisticated IBM 360 Computer system to be de voted to the multiple bookkeeping functions of Hamilt Funds. This system will have random access capabili which will enable the Bank to provide Hamilton's manage ment with greatly augmented categories of statistics neces sary to the operation of this fifteenth largest of the mili mutual funds.

The Denver Zoo was established in 1896 when a bear cub was presented to Denver's mayor. In recent years, due in major part to the activities of the Denver Zoological Foundation, the Zoo has been refurbished and expanded. The new Giraffe House, built at a cost of $125,000, was opened in September, 1966.



In 1966 the Trust Department completed 75 years of continuous service to customers of the area. New highs were reached in all phases of the Department's operations, including the value of assets under its supervision, income earned, and value of new trust business.

The year was one of substantial growth in the services rendered to mutual fund customers, whose business becomes more significant to the Department each year. Excellent relationships with two of the nation's best, Hamilton Funds, served for the first full year in 1966, and Founders Mutual Fund, the oldest mutual fund customer, are a source of gratification and pride to the Bank.

As a result of the constantly growing level of business in the Trust Department, increases were necessary in the number and qualifications of personnel in order to maintain the level of efficient, competent service to which trust clients are accustomed. At the same time, the Work Measurement studies started in 1965 and continued through 1966 have made possible more efficient utilization of Trust Department personnel and facilities.

Elmer W. Johnson, Senior Vice President and Trust Officer, who retired at the end of the year, completed more than 45 years of distinguished service to the Bank and its predecessor, The International Trust Company. Mr. Johnson at the time of his retirement had the longest record of continuous service of any then active Trust officer.

Several large new accounts were opened with The First in 1966, and four accounts which have been carried for several years on a minor basis were activated to major accounts.

Loans carried for correspondents averaged $56,091,000 during the year. The First continues to be by far the largest commercial bank lender on cattle and sheep in the trade area.

The Department is staffed with nine officers who traveled more than 110,000 miles by car in 1966 and many thousands more by airplane.

The Denver Museum of Natural History is at the east end of City Park, which also encompasses the Zoo. Founded in 1900 by many of those who wrote an integral part of Denver history, the Museum has attained international fame with brilliantly detailed displays which are startlingly realistic to the viewer.

[illegible]

The Denver Chamber of Commerce Forward-Metro-Denver project continued in 1966 as the most important vehicle in attracting new industry to Colorado, illustrated by the advent here of such companies as:

- Amphenol Cadre Division, Amphenol Corporation, Longmont
- Anchor Metal Division of Electronic Specialty Company, Commerce City
- Bendix Corporation, Denver
- Dahlstrom Manufacturing Company, Denver
- Goltra Foundries, Inc., Golden

Another potentially important business-getting institution authorized by our State Legislature is the Colorado Business Development Corporation. Designed fundamentally to provide original or supplemental capital for new indu[illegible] this fledgling state-authorized but privately financ[illegible] ganization — only in its third month of existence — already received forty-six applications for capital [illegible] all of which are being screened by a top-level gro[illegible] business executives and seasoned bank loan officers.

The Bank's Business Development Department has strengthened by the addition of two top-level execu[illegible] from other departments and now consists of seven ex[illegible] enced officers plus supporting personnel.

[illegible]

The First National Banks of North Glenn, Southglenn, Bear Valley, continued a satisfactory growth rate du[illegible] 1966, as shown by the figures below. The Southglenn a[illegible] as expected, is growing at a slower rate than the other [illegible] but 1967 may see a material increase in the numbe[illegible] housing starts which, in turn, will bring more busi[illegible] outlets to the shopping center and should accelerate growth of the Bank.

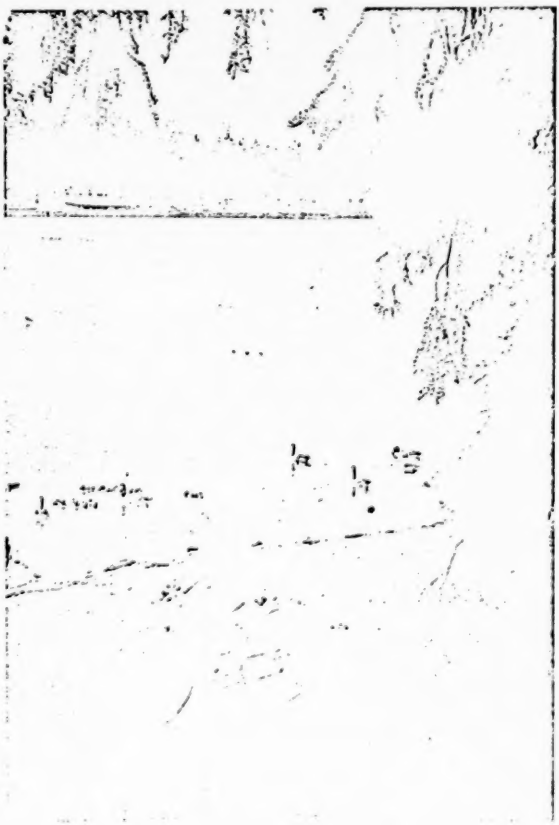
In August of 1966, the Bear Valley bank began operati[illegible] in its very attractive new building. The new quarters h[illegible] as anticipated, proven to be a great help in attracting [illegible] depositors and borrowers.

Construction began on schedule in late 1966 of huge [illegible] additions to the North Glenn Shopping Center. Comple[illegible] of this newest of the Denver Area's major regional cent[illegible] is targeted for early 1968 and is certain to be a str[illegible] stimulant to the growth pattern of the North Glenn ba[illegible] oldest and largest of the three affiliates.

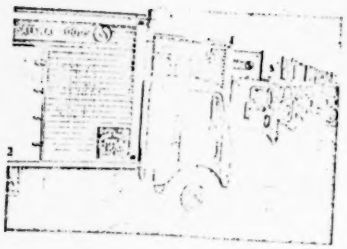
FIRST NATIONAL BANK OF:	DEPOSITS 12/31/65	DEPOSITS 12/31/65	LOANS 12/31/66	LOANS 12/31/65	NET OPERATING EARNINGS Yr. 1966	NET OPERATING EARNINGS Yr. 1965	PROFIT O[illegible] (LOSS)* Since Oper[illegible]
NORTH GLENN Opened: 11/14/63 Total Number of Accounts Year End 1966 6,730 1965 5,069 Increase 32%	$4,[illegible],726	$2,868,306	$2,666,323	$1,858,746	$ 46,292	$ 9,311	($ 3,9[illegible]
BEAR VALLEY Opened: 6/15/64 Total Number of Accounts Year End 1966 4,771 1965 2,782 Increase 71%	$3,721,847	$[illegible]424,220	$2,645,952	$1,628,416	$ 37,323	$19,065	$14,[illegible]
SOUTHGLENN Opened: 11/30/64 Total Number of Accounts Year End 1966 2,734 1965 1,739 Increase 57%	$2,046,693	$1,286,333	$1,456,410	$ 868,154	$ 18,919	($13,[illegible])	($ 8,15[illegible]
TOTALS — THREE BANKS Total Number of Accounts Year End 1966 14,235 1965 9,519 Increase 48%	$9,814,181	$6,57[illegible]	$6,767,[illegible]	$4,[illegible]316	$102,[illegible]	$15,012	$ 2,1[illegible]

*Including organizational Expense and Transfers to Reserve for [illegible]

Sometimes, I think there's plenty of country in the city. I've biked around the park and walked around. I feed the ducks and watch them waddle. I suppose I look as funny to them riding my bike as they do to me.



City Park is a sprawling, multi-featured favorite outing place for Denverites, where golfing, softball, tennis, horseshoes and other sports activities take their places alongside band concerts, lectures, floral displays, a Zoo, a Museum and myriad other features. The Park's lakes and omnipresent ducks add a touch of tranquility.

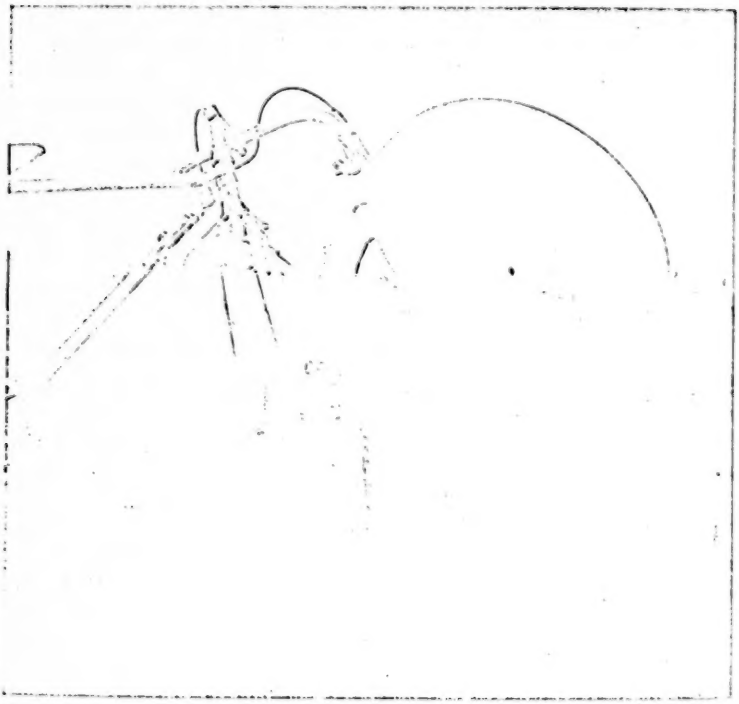


A fleet of trucks fans out from the Denver Distribution Center of Safeway Stores, Inc., to serve the supermarket needs of all Coloradans. The organization is not only a major employer itself, it is a major stimulant to agricultural and transportation growth.

YEAR END TOTALS: (In thousands)	1966	1965	1964	1963	1962	1961	1960	19
Deposits:								
Demand	$256,581	$252,552	$241,671	$251,667	$230,395	$257,190	$247,180	$232
Savings	102,212	131,832	120,592	101,292	88,041	73,395	64,059	60
Other time	82,477	43,092	41,543	18,631	20,372	16,053	7,709	6
Total	441,270	427,476	403,806	374,590	376,771	347,242	318,949	299
Capital funds	36,026	34,276	33,074	31,866	30,594	30,009	29,050	27
Loans — net	265,870	263,360	224,030	220,643	199,300	175,008	171,802	170
U. S. Government securities and securities guaranteed by the government	54,856	49,973	73,705	58,453	74,927	91,700	69,721	57,2
Average life to maturity	204 days	148 days	131 days	96 days	62 days	129 days	141 days	12 days
Municipal bonds	29,763	31,409	16,270	10,682	10,451	1,115	—	2
Average life to maturity	4.16 years	2.85 years	2.67 years	3.14 years	3.33 years	4.82 years	0 years	1.2 years
AVERAGE YIELD (Note 1)								
Loans	5.90%	5.60%	5.41%	5.41%	5.43%	5.42%	5.52%	5.0
Securities	5.73	4.07	3.55	3.60	3.33	2.84	3.78	3.3
All loans and securities	5.86	5.00	4.85	4.91	4.76	4.65	5.11	4.4
FINANCIAL RESULTS								
Net operating earnings before income taxes — per share	$ 11.63	$ 8.38	$ 8.85	$ 8.58	$ 8.83	$ 9.01	$ 10.01	$ 7.6
Net operating earnings after income taxes — per share	7.00	5.24	4.65	4.28	4.26	4.21	4.61	3.5
Net operating earnings after taxes as a percent of capital funds at year-end	9.72%	7.45%	7.03%	6.72%	6.83%	7.01%	7.03%	6.1
CASH DIVIDENDS — Per Share	$ 2.89	$ 2.31	$ 2.27	$ 2.16	$ 1.95	$ 1.89	$ 1.83	$ 1.5
BOOK VALUE — Per Share	72.15	68.19	63.14	60.41	61.91	63.67	60.33	56.3

People always seem to have figured out a way to do things. They learned to tell time before there were wristwatches. And then, they learned to make the watches. I guess if we had to start civilization all over again, we'd find a way to do it.

An impressive Chinese sundial sits in the midst of Cranmer Park, overlooking the mountains in East Denver. The Park was named for George Cranmer, who, as manager of improvements and parks, developed it. The sundial is on a circular slab of hard red sandstone from Lyons, Colorado. Its readings are so accurate that watches can be set by it.



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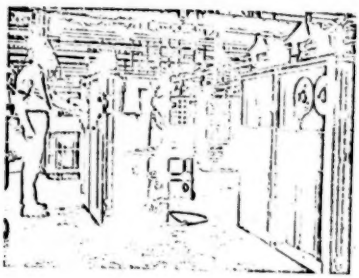
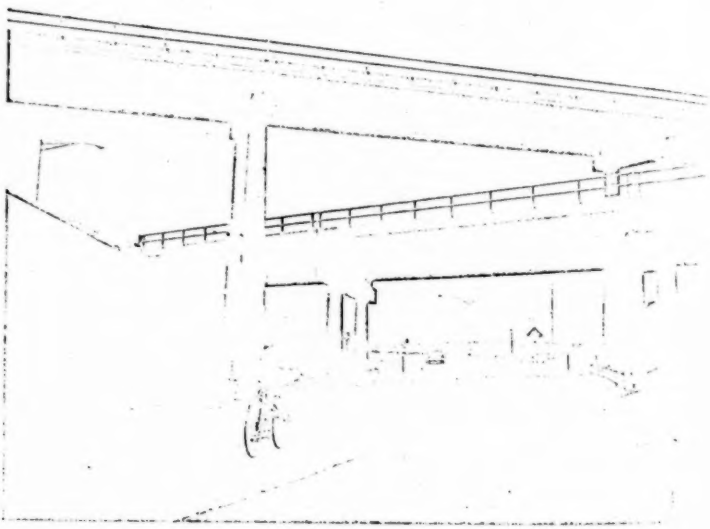


One of the extraordinary phenomena of the postwar years has been the emergence of the computer as a business, industrial and financial tool. IBM Corp., long well established in the Denver area, has created another major impact on the area's economy and status with its new manufacturing plant near Boulder.

DENVER FIRST NATIONAL BANK

		DECEMBER 31 1966	DECE...
ASSETS	Cash on Hand and Due from Banks	$ 94,447,228	$ 75,...
	Due from Federal Reserve Bank	22,670,179	50,...
	U. S. Government Securities and Securities Guaranteed by the Government	54,855,393	49,...
	State, County, and Municipal Securities	29,763,385	31,...
	*Loans and Discounts	265,878,187	263,...
	Federal Reserve Bank Stock	900,000	8...
	Bank Premises	8,788,122	8,...
	Vaults, Equipment, Furniture, etc.	473,010	...
	Customers' Liability on Letters of Credit	1,536,840	1,...
	Other Assets, Prepaid Expenses, etc.	618,805	...
	Income Earned, Uncollected	3,906,035	3,...
	Total Assets	$483,837,184	$...
	*After deduction of loan reserve	2,927,058	2,...
LIABILITIES	Capital Stock	$ 10,000,000	$ ...
	Surplus	20,000,000	10,...
	Undivided Profits	6,028,165	...
	Total Capital Funds	36,028,165	34,...
	Deposits	441,270,155	...
	Letters of Credit Outstanding	1,536,840	1,...
	Income Collected, Unearned	1,227,545	...
	Interest, Taxes, etc., Accrued and Payable	3,774,479	...
	Total Liabilities	$483,837,184	

An open road, a nice day, a fast bike — and wow!



Interstate High
extended past the cit
of Denver durin
ultimately will be p
cross-country, hi
thoroughfare linking th
and West C

A leading role in the nation's new and sophisticated space and instrumentation industry is played by Ball Brothers Research Corp. of Boulder. Its use of highly skilled human resources and the most advanced technology have made of it a model of the type of industry Colorado is eager to develop.

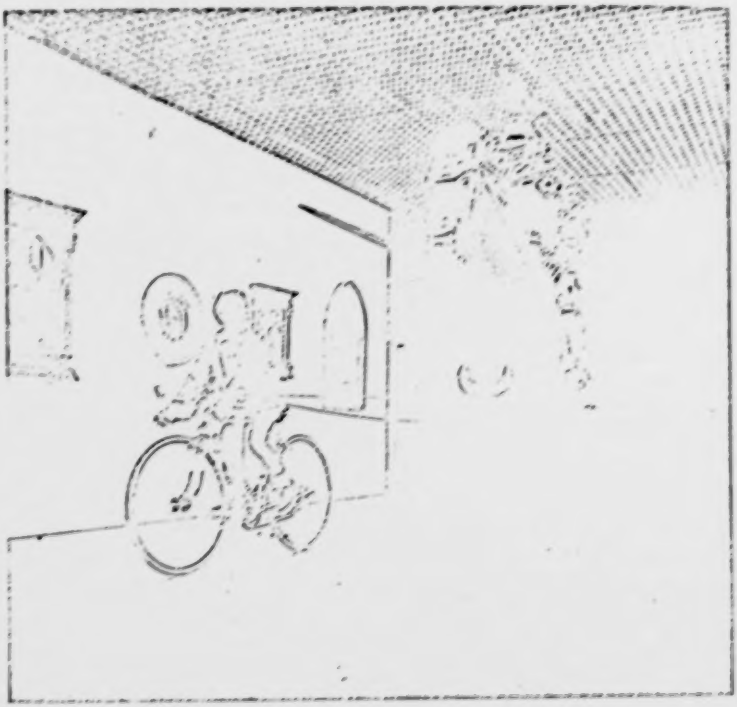
	YEAR ENDED DECEMBER 31 1966	YEAR ENDED DECEMBER 31 1965	INCREASE (DECREASE)
OPERATING EARNINGS			
Interest and Discount on Loans	$15,481,740	[illegible]	$3,089,116
Interest on U. S. Government and other Securities	3,566,046	[illegible]	(77,959)
Other	5,672,854	[illegible]	1,061,415
Total	$24,720,640	[illegible]	$4,072,572
OPERATING EXPENSES . . .			
Salaries, Pension and Profit Sharing Plans	$ 6,494,239	[illegible]	$ 833,059
Interest on Time and Savings Deposits	7,655,325	[illegible]	1,002,499
Other	4,654,228	[illegible]	574,306
Total	$18,803,792	[illegible]	$2,409,864
OPERATING RATIO			
Expenses to Earnings	76.1%	[illegible]	
NET OPERATING EARNINGS BEFORE INCOME TAXES	$ 5,916,848	[illegible]	$1,662,708
Provision for Federal and Colorado Income Taxes	$ 2,416,000	[illegible]	$ 784,000
NET OPERATING EARNINGS	$ 3,500,848	[illegible]	$ 878,708
Earnings per share (500,000 shares)	$7.00	[illegible]	

Stapleton International Airport is the nation's eighth busiest in total use and the fourth busiest in general aviation. There are 350 average daily flights. Nearly 4 million passengers enplaned and deplaned at Stapleton during 1966. Two non-intersecting East-West runways are 10,000 and 5,700 feet long respectively. The North-South runway is 11,500 feet long. A new $32 million Terminal Complex officially will be dedicated in the spring.

When the big jets take off, I watch until the trails are too small to see. My dad says it used to be great to fly three miles a minute, instead of 10 the way they do now, but I wasn't born then. It's neat to feel I can go almost anywhere I want now in a few hours.

As a major distribution center, Denver is served by a number of carriers which add significantly to the economy of the region. Forward-looking management, a skilled labor force, initiative in making use of technological advances and sound financing bolster the growth of motor carriers.

	YEAR 1963	YEAR [illegible]
[illegible]		
Capital Stock	$ 9,000,000	[illegible]
Surplus	19,000,000	[illegible]
Undivided Profits	6,295,586	[illegible]
Total Capital Funds	34,295,586	[illegible]
[illegible]		
Net Operating Earnings After Taxes	3,500,848	2,602,[illegible]
Profits (loss) on Sale of Securities — net of tax	(27,809)	[illegible]
Provision for Portfolio Loss Reserve — net of tax	(342,160)	[illegible]
Miscellaneous Income (Expense) — net	1,700	[illegible]
Net Income	3,132,579	[illegible]
Capitalization as of July 1, 1963, of Equipment and Leasehold Improvements	—0—	[illegible]
Total Additions	3,132,579	[illegible]
TOTAL	37,428,165	[illegible]
[illegible] — Cash Dividends	1,400,000	[illegible]
[illegible]		
[illegible]	10,000,000	[illegible]
[illegible]	20,000,000	[illegible]
[illegible]	6,028,165	[illegible]
[illegible]	$36,028,165	[illegible]



Some pictures, you can tell what they are right away. The other ones can make me feel happy or sad without my knowing why. Maybe that's what some paintings are supposed to do. But this knight makes sense. Some [illegible]

Denver's rapidly expanding Art Museum will be housed in a new home financed by private contributions. The Kress Collection of Renaissance masterpieces is among the most visited at the Museum, where fu ebayist impressionism mingles with precise realism in imagination-stirring compatibility.

GLOSSARY OF WORDS AND TERMS CUSTOMARILY FOUND IN ANNUAL AND QUARTERLY REPORTS OF COMMERCIAL BANKS

The amount which business spends each year for new plant and equipment. It is estimated that each dollar increase in business capital spending produces a rise of almost two dollars in the Gross National Product (GNP) during the twelve months following the increased spending.

Carrying value of capital stock outstanding, the number of shares multiplied by the par value of each share.

The figure representing the sum of Capital, Surplus and Undivided Profits.

Debt instruments of a bank having maturities longer than two years issued to obtain additional funds for loaning and investing. Proceeds from the notes are not deposits requiring the maintenance of legal reserves, and the claims of the holders are subordinate to the claims of depositors.

In the United States, The Federal Reserve Bank, with its home office in Washington, D. C., is our nation's Central Bank and corresponds approximately to the Bank of England, Bank of France, Bank of Switzerland, etc. Its basic responsibility is control of the supply of currency and credit and, to a certain extent, control of interest rates on bonds, bank loans, etc.

Money on deposit in checking accounts subject to withdrawal at any time.

A massive shift of savings away from financial institutions directly into other money market instruments.

Since the passage of the National Bank Act in 1863, our nation has had two banking systems: one consists of the national banks chartered by the federal government, the other is made up of banks chartered by the state in which they operate. Most states (43) permit banks to have some form of branches. No bank, however, may branch across a state line.

Every national bank and every state member bank of the Federal Reserve System must keep on deposit with the Federal Reserve Bank in its own District a specified percentage of its total deposits. When the amount on deposit is above the legally required reserve, the bank may sell the excess funds to other banks at available interest rates — usually about the same as the Rediscount Rate. Conversely, if the bank has an insufficient reserve, it must borrow from its Federal Reserve Bank or purchase from another bank the necessary amount to comply with the reserve requirement. These transactions between individual banks are called "Federal Funds Sold" or "Federal Funds Purchased."

Every national bank and every state bank member of the Federal Reserve System must own Federal Reserve Bank stock in the amount of 6% of the member bank's combined Capital and Surplus. Only one-half of the 6%, however, must be subscribed in cash — the other one-half is payable on demand by The Federal Reserve Bank.

The sum of the funds expend of for goods and services. Specifically it is made up of the sum of the following: business capital expenditures, inventory buying, federal government spending, state and local government spending, housing costs, consumer spending, and foreign trade.

In a national bank this is equal to 10% of the sum of Ca[illegible] Surplus. For state banks the amount is set by statute, but states it is 25% of Capital and Surplus.

The ratio computed by dividing total loans by total depo[illegible] the most common ratio used by bankers and supervisory o[illegible] measure the liquidity or non-liquidity of the banking indus[illegible] a prime determinant of the availability of bank credit.

(Also sometimes called Bad Debt Reserve)
Internal Revenue Service regulations, revised in 1965, now p[illegible] accumulation of a Reserve for Possible Loan Losses, for m[illegible] up to a ceiling of 2.4% of eligible loans at year-end. Sub[illegible] ceiling and certain other conditions, banks may deduct fro[illegible] income each year, for addition to the Reserve, the sum of [illegible] losses during the year, (2) 2.4% of the increase in eligible [illegible] (3) one-tenth of any difference between the Reserve on Dec[illegible] 1964 and the 2.4% ceiling figure on that date.

This normally consists of claims, insurance premiums [illegible] advance, and miscellaneous assets of small amounts not [illegible] inclusion in any other delineation of assets.

Investment securities other than United States Government [illegible] amount guaranteed bonds. Sometimes municipal bonds are [illegible] in this description but normally they are separately listed.

Usually called the "New York Prime Rate," this represents th[illegible] interest rate which New York banks will offer to their borro[illegible] ing the highest credit rating. The term is now subject to co[illegible] criticism and is likely to become progressively less imp[illegible] banking parlance.

The lowest interest rate which the Federal Reserve banks [illegible] twelve districts charge their member banks for borrowing [illegible] maintain required reserves, or for other purposes.

The ratio normally arrived at by dividing the sum of c[illegible] government bonds by total deposits.

Money on deposit in personal savings accounts owned by [illegible] or associations. Neither Savings nor Time Deposits can [illegible] drawn by check.

In established banks, Surplus is earnings of previous [illegible] have been transferred from the Undivided Profits Acc[illegible] Surplus Account. Surplus funds can be utilized only by [illegible] Stockholders of the bank and approval of the appropriate [illegible] authority, state or national. Undivided Profits may be app[illegible] of the Directors alone.

These are funds on deposit, represented by a Certificate [illegible] ordinarily payable to a corporation on a future date and [illegible] interest rate. These Certificates may also be issued [illegible] but, in this case, are usually called Savings Certificates [illegible] event, "Time Deposit" denotes a contract between the [illegible] depositor for a specific period and at a specific rate [illegible]

Colorado's majestic gold-domed State Capitol sits high on a slope overlooking the Rockies, one of its steps marking a precise height of one mile. A cluster of newer and more functional state buildings dot the perimeter. Within the Capitol, the main floor Rotunda features murals and lyrical inscriptions depicting the history of water in Colorado.

EUGENE H. ADAMS
President

PHILIP K. ALEXANDER, SR.
Retired Senior Vice President

G. R. ARDELOTT
President
The Denver and Rio Grande
Western Railroad Company

SIDNEY L. BROCK, JR.
Senior Vice President

RICHARD P. BURNS
Senior Vice President and
Executive Trust Officer

E. RAY CAMPBELL
Honorary Chairman of the Board
The Denver Post, Incorporated

ROBERT L. CAMPBELL
Vice President
Safeway Stores, Inc.

CLARENCE J. DALY
President
Daly Companies

MONTGOMERY DORSEY
Chairman of the Board

JOHN EVANS
Honorary Chairman of the Board

JOHN A. FERGUSON, JR.
President
The Stearns Realty Company

W. COLES HUDSON
Executive Vice President
Mountain States Telephone and
Telegraph Company

FRANK A. KEMP
Chairman of the Board
The Great Western Sugar Company

WILLIAM H. KISTLER
President and Treasurer
W. H. Kistler Stationery Company

W. C. KUNTZ
President
Independent Lumber Company

DAVIS W. MOORE
Senior Vice President

HUBBARD MOORE, JR.
President
Walter S. Chairman Realty Company

ARSEL NIELSEN
Chairman of the Board
Mortgage Investments Company

J. SIMS NORTIAN, M.D.
Pueblo, Colorado

GERALD H. PHIPPS
President
Gerald H. Phipps, Inc.

DONALD E. PROVOST
President
Stearns-Roger Corporation

HAROLD F. SILVER
President
Silver Corporation

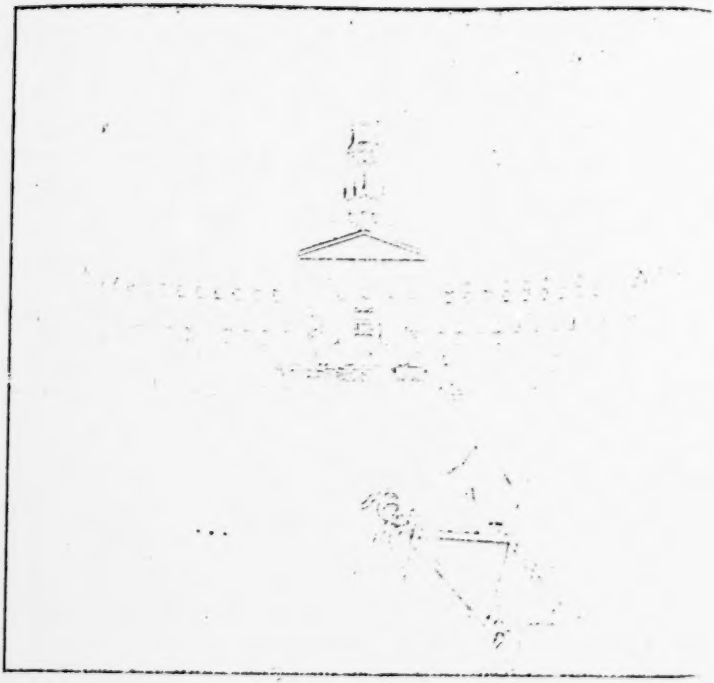
BARRY MOREY SULLIVAN
President
Morey Realty Company

RUSSELL T. TUTT
President
El Tomar Investment Company
Colorado Springs, Colorado

JAMES A. WOOD
Fairfield and Woods, Attorneys

Civic Center, a grassy series of lawns, walks and esplanades bridging the area between the State Capitol and the City and County Buildings, was conceived in 1904 and built in 1919. Its design was widely copied by other cities. One of two principal bronze statues is that of a Bronco buster, the other of an Indian on horseback.

Yippee!

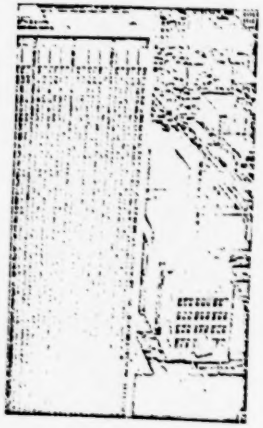


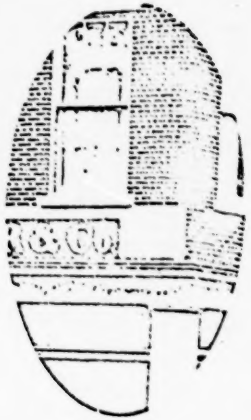
John Malpiede was the father of Christmas lighting at the City and County Building. Lavish Christmas displays first were installed in Civic Center, then moved to the building in 1935. In 1966, under direction of Wilbur Latham, approximately 35,000 lights and 16 miles of electrical wire were used in the display. The electrical load is 265,000 watts a night.

This is just about the brightest, cheerfulest way of saying "Merry Christmas" that I ever saw.

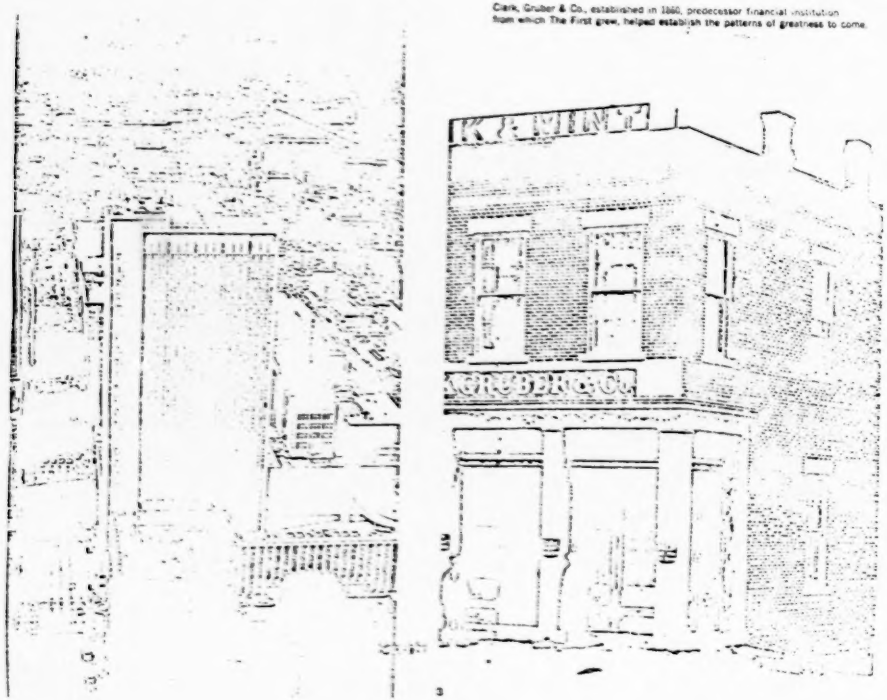
The First National Bank of Denver
SINCE EIGHTEEN HUNDRED AND SI

THE FIRST NATIONAL BANK OF DENVER
E PLURIBUS UNUM
COLORADO





Clark, Gruber & Co., established in 1860, predecessor financial institution from which The First grew, helped establish the patterns of greatness to come.



Thanks to the Western Histor
Denver Public Library, and th
Colorado State Historical Soci

assistance well beyond the ca

Transition: "...a movement, development, or evolution from one stage, form, or style to another, usually of a later time or period."

Transition: The stuff of which history is fashioned.

A never-ending panorama of change. Of habits. Motivations. Needs. Services.

On the pages which follow are recorded the marks of transition of a great city and of a financial institution which continues, in its 108th year, to serve that city well.

METRO DENVER 1860

"No limits but the sky."

—Cervantes

Of the times established for photographs in this study in transition, it must be said — alas — that some dates are approximate. Neither human memory nor man's records ever seem to attain quite the precision required by seekers into the past.

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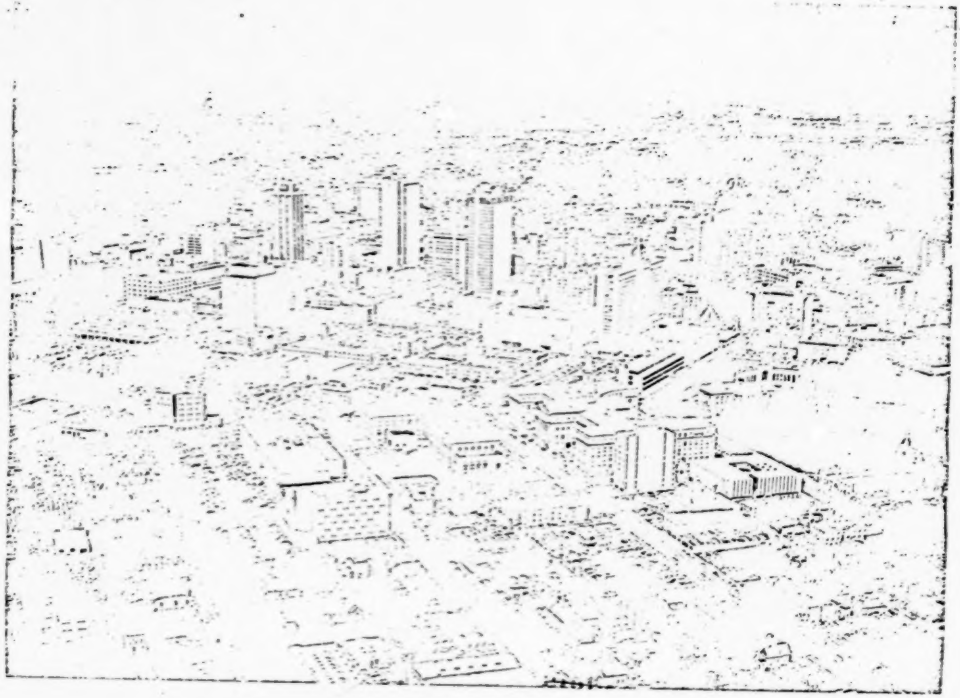
The First National Bank of Denver today serves a
vital, expanding, on-the-move metropolitan area.



1967 was a very good year for your Bank.

Net consolidated operating earnings after taxes rose to $4,152,574, the highest on record, and some 16% above 1966. Per share, these earnings were $8.31, compared to $7.18.

Deposits at year-end 1967, and for the first time on a statement date in the Bank's 107 year history, surpassed the one-half billion dollar level. On December 31, they were $509,736,433. This reflects an increase of $68,466,278, or 16% above the total on December 31, 1966. As will be noted in the types of deposits listed on page 6, the increases were distributed throughout all categories except public funds.

Loans rose $23,406,634 to a new year-end high of $269,284,822, and the average ratio of loans to deposits was 59% compared to 56.6% for the five year period 1962/66.

1967 was a somewhat enigmatic year, characterized at its outset by a decline in the New York Prime Rate late in January by two major banks of that city, but not of concurring amounts. Only on March 24, 1967, when the Bank of America dropped its Prime Rate from 6% to 5½%, did the industry generally fall into line. This was followed on April 6 by a decline of ½ of 1% (to 4%) in the Federal Reserve Discount rate. From that time until November 18, when England dramatically devalued its pound sterling from $2.80 to $2.40, bankers all over the nation aggressively accumulated deposits, anticipating a huge Fall business loan demand which didn't materialize until late in December and then mainly in New York and Chicago.

At the outset of 1968, Americans, for the first time in history, are faced with possible restrictions on foreign travel, curtailment of foreign investments, and a special purpose tax increase. They are becoming increasingly aware that this country alone cannot much longer finance the world's underprivileged nations; fight a major war in Asia; conduct a war on poverty at home that is much more deep-seated than poverty itself; continue to run immense deficits in the national budget, and still expect the world to have confidence in the integrity of the American dollar as the only stable world currency.

Congress and the Administration, perhaps in equal measure, seem resolved to face our fiscal problems squarely. Hopefully 1968 will be a year of the great Turn Around — a drastic decline in budget deficit and balance of payments drain, as well as a concentrated and relatively united effort on the part of most of our citizens to do their utmost to maintain the integrity of the monetary system.

The banking industry again should be prosperous in 1968. The higher-than-ever interest rate structure, a new way of life in the American economy, is one to which we are all becoming accustomed. The cost of doing business and number of people it takes to handle constantly increasing volume show no signs of slackening. Total expenses will continue to climb, probably at a faster rate than total income.

On December 21 an application was sent through the Federal Reserve Bank of Kansas City to the Board of Governors in Washington for permission to register The First National Bancorporation as a bank holding company. Initially, it would consist of the controlling interest in The First National Bank of Denver and its three legal affiliates, The First National Banks of North Glenn, Southglenn and Bear Valley. If permission is granted, the bank holding company will then offer to exchange its shares for the shares of the four participating unit banks on exchange ratios which have already been announced.

Balance Sheets and Statements of Earnings for 1967 and 1966 conform to the new Regulations of the Comptroller of the Currency and the Federal Reserve System. For the first time they show, in separate sets of columns, the assets and liabilities, total income, total expenses and net operating earnings, etc., of the Bank and its wholly-owned affiliate, The International Realty Company, owner or lessee of most of the property in the square block on which the Bank is located. Stockholders may find this newly required format somewhat confusing, but it has been designed by the supervisory authorities so that all National banks and Federal Reserve member banks will, for 1967 and ensuing years, account for assets, net income, etc., on a uniform basis.

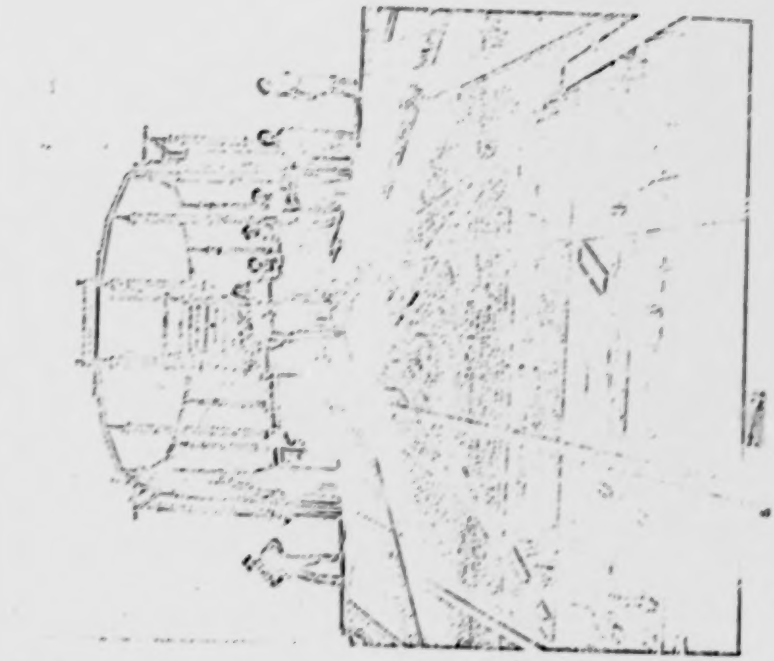
It should therefore be noted that in the Financial Review section which follows, the Bank figures have been consolidated with those of The International Realty Company. On pages 20 and 22 of this report will be found the Consolidated Balance Sheets and Statements of Earnings of the Bank and the Realty Company.

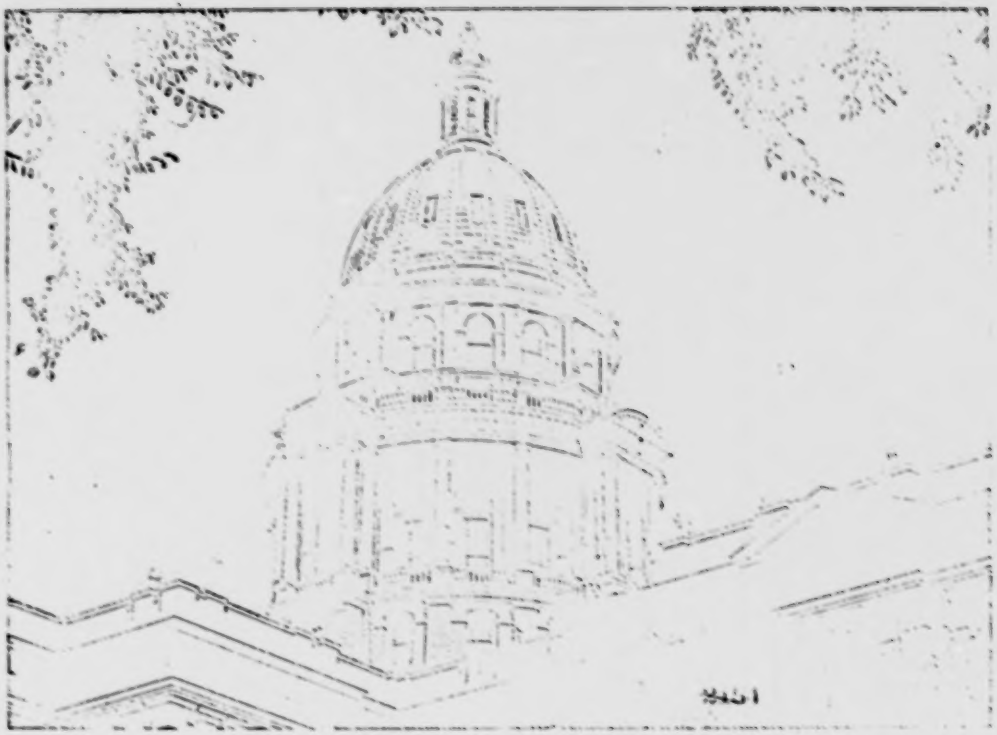
The Bank is, as always, grateful for the efforts of our stockholders and personnel in directing business to the Bank and we hope you will all continue these efforts in the year ahead.

Sincerely,

Montgomery Dorsey, Chairman of the Board

Eugene H. Adams, President





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Henry C. Brown, the man who built the Brown Palace Hotel, farsightedly donated two city blocks for construction of a State Capitol before Colorado achieved statehood. But it was not until 1881 that the Legislature imposed a special tax to create a Statehouse building fund. Four years later, the lawmakers provided that the Capitol would be of stone construction. The work started in 1886, but delays and plan changes postponed the cornerstone-laying until July 4, 1890. Construction of the framework and completion of the building took 10 years. But the Governor moved in in 1894, in advance of completion. The Legislature followed, a year later. Curiously, the bright gold-leafed dome of today was not included in the original plans. The gold-leafing was proposed in 1901 by F. E. Edbrooke, an advisory artist, and became reality seven years later. The Capitol construction, set by the Legislature not to exceed $1 million, ultimately cost about $3 million. Today's Capitol has been modernized within but still retains the majesty of seven decades ago.

On December 31, 1967, holdings of United States Government and Government guaranteed securities were $60,567,338 (amortized cost) compared to $44,179,426 at the end of 1966. These bonds have an average maturity of 227 days and a year-end yield of 5.32%. Average yield produced during the year was 4.96%. The Bank's traditional policy of maintaining bond portfolios of very short maturities continued and once again this policy has proven to be beneficial.

Municipal bond holdings were $42,084,102. At year-end these bonds had an average maturity of 3.11 years and an average tax exempt yield at cost of 3.44%.

Cash on hand, due from the Federal Reserve Bank and about sixty of the nation's major banks totaled $143,454,638, the equivalent of about 28% of the Bank's total deposits. Adding the cash to the government bond portfolio, the Bank's Reserve Ratio at year-end was 40% and continues to be one of the highest liquidity ratios of any major bank in the nation.

The Bank building throughout 1967 continued to be fully occupied, as it has been almost constantly since it was opened in 1958.

The mortgage on the 28-story building, payable to The Equitable Life Assurance Society of the United States, was, on December 31, 1967, $5,650,583, about $400,000 less than at the previous year-end.

On December 30, 1967, the Sky Deck — the observation area atop the building — was closed preparatory to constructing new quarters in that location for occupancy by Lehman Brothers about June 1, 1968. This will give the building a prestigious new tenant as well as increased rental income. Use of the Sky Deck had been steadily declining in recent years, so utilization of this space for office quarters is a fine thing for the building and will provide Lehman Brothers with excellent new offices commanding an unexcelled view of this area.

Net earnings from operations of The International Realty Company, after depreciation and interest but before income taxes, was $240,486.

On December 31, 1967, net deposits of the Bank were $509,736,433, an increase of $58,466,278 or 16% over the total on December 31, 1966. Average deposits, however, are more important than the total on any one day of the year and the average net deposits in the past nine years have been as follows:

1967	•	$495,901,000
1966	•	436,100,000
1965	•	412,661,000
1964	•	353,342,000
1963	•	336,677,000
1962	•	313,105,000
1961	•	317,566,000
1960	•	293,371,000
1959	•	286,656,000

For the first seven months of 1967, average deposits ran very close to the 1966 figures. Beginning in August, however, a very sharp upturn began, resulting in a December average of $504,113,000.

The breakdown of deposits in the major categories at year-end and the change from the previous year-end are as follows:

Demand Deposits of		
Individuals and	[illegible]	[illegible]
Corporations	$278,694,892	$36,719,726
Time and Savings	214,107,292	29,416,653
U.S. Government	13,079,123	5,002,654
Other Public Funds	7,120,641	(2,703,472)
Correspondent Banks	46,734,485	45,707
TOTAL	$509,736,433	$68,436,278

On page 18 of this report you will find a nine-year spread of the Bank's performance in all major statistical areas including year-end deposits which, in this period, show an increase of 70%.

On December 31, 1967, net loans approximated $289,284,822, or 56.7% of the deposit total. The loan total reflects the deduction of the loan valuation reserve (Reserve for Possible Loan Losses) of $3,463,659. Total loans were about $23.5 million more than at the end of 1966, an 8.8% increase for the year.

As in 1966, the continued heavy demand for loans in the Central Reserve cities of Chicago and New York did not characterize the Tenth Federal Reserve District generally, and, while our loans were higher in every month of 1967 than they were in 1966, the spread between the two years did not become significant until December. A continued strong loan demand is predicted for 1968 but no great surges as occurred in late 1965 and the first three-quarters of 1966 are anticipated.

In 1967 loans averaged $270,535,677, compared to $262,210,395 in 1966, and the average rate of interest on these loans was 6.21% compared to 5.90% in 1966.

HIGHLIGHTS OF 1967

(Exclusive of The International Realty Company figures)

	1967	1966	Change
Net Operating Earnings After Taxes	$ 4,028,566	$ 3,500,848	+15.1%
Per Share (Based on 500,000 Shares)	$ 8.06	$ 7.00	+15.1%
Cash Dividend	$ 1,400,000	$ 1,400,000	
Cash Dividends Per Share ($20.00 Par Value)	$ 2.80	$ 2.80	
Book Value (Based on 500,000 Shares)	$ 76.70	$ 72.06	+ 6.4%
Total Assets at Year End	$553,280,987	$482,746,368	+14.6%
Average Assets — Net	$500,874,195	$478,100,174	+ 4.8%
Deposits at Year End	$509,736,433	$441,270,155	+15.5%
Average Deposits	$455,960,747	$436,110,300	+ 4.6%
Loans at Year End	$289,284,822	$265,878,187	+ 8.8%
Average Loans	$270,535,677	$262,210,395	+ 3.2%
Number of Loans	23,828	21,029	+13.3%
Total Capital Funds at Year End	$ 38,350,981	$ 36,028,165	+ 6.4%
Addition to Capital Funds — Per Share (Based on 500,000 Shares)	$ 4.65	$ 3.47	+34.0%
Number of Stockholders	956	947	+ 1.0%
Number of Banking Offices	1	1	

comparing these matching scenes, open this fold.

17th Street, financial hub of the Rockies, was a gently paced thoroughfare circa 1915. The petulant 1920s, with ventures into great wealth and great despondency, lay ahead, as did the first war to end war. The stately mansion in the left foreground was the Denver Club. Note the angle parking along Glenarm Place. The tallest building on the street even without the high-standing flagpole — was the 12-story structure which then housed The First National Bank of Denver. Today's skyscrapers, including The First's present 28-story home, relegate the Daniels & Fisher tower, once so prominent, to visual near-obscurity. Today's Denver Club members look out on their city from the top floors of the high-rise structure which bears the Club's name. But the tempo of the street is still paced by the business of finance.

THE FIRST NATIONAL BANK OF NORTH GLENN

Opened: 11/14/63

Total Number of Accounts — Year End:

1967	1966	INCREASE
6,078	5,730	30%

DEPOSITS	LOANS	NET OPERATING EARNINGS	PROFIT OR (LOSS)* Since Opening
12/31/67	12/31/67	1967	
$5,193,998	$3,648,233	$41,742	$28,351
12/31/66	12/31/66	1966	
$4,045,726	$2,666,323	$46,292	

THE FIRST NATIONAL BANK OF BEAR VALLEY

Opened: 6/15/64

Total Number of Accounts — Year End:

1967	1966	INCREASE
6,917	4,771	45%

DEPOSITS	LOANS	NET OPERATING EARNINGS	PROFIT OR (LOSS)* Since Opening
12/31/67	12/31/67	1967	
$5,697,840	$4,102,606	$46,911	$35,708
12/31/66	12/31/66	1966	
$3,721,847	$2,645,952	$37,323	

THE FIRST NATIONAL BANK OF SOUTHGLENN

Opened: 11/30/64

Total Number of Accounts — Year End:

1967	1966	INCREASE
3,029	2,734	40%

DEPOSITS	LOANS	NET OPERATING EARNINGS	PROFIT OR (LOSS)* Since Opening
12/31/67	12/31/67	1967	
$2,847,806	$1,847,656	$31,495	$17,492
12/31/66	12/31/66	1966	
$2,046,608	$1,455,410	$18,919	

TOTALS — THREE BANKS

Total Number of Accounts — Year End:

1967	1966	INCREASE
16,024	14,235	32%

DEPOSITS	LOANS	NET OPERATING EARNINGS	PROFIT OR (LOSS)* Since Opening
12/31/67	12/31/67	1967	
$13,733,644	$9,598,495	$120,168	$81,551
12/31/66	12/31/66	1966	
$9,814,181	$6,767,685	$102,534	

*Including organizational Expense and Transfers to Reserve for Possible Loan Losses.

DISTRIBUTION OF LOANS/YEAR END

	1967	1966
Loans for Commercial, Industrial or Individual Purposes	$142,853,817	$129,355,817
Real Estate Loans, Construction Financing, Builders, Mortgage Brokers, etc.	68,233,971	60,009,139
Loans Originating from Correspondent Banks, All Types	64,043,365	62,506,550
Consumer Credit (Personal, Instalment)	17,617,369	16,933,739
Total Loans	$292,748,521	$268,805,245
Loan Reserves	3,463,699	2,927,058
Net Loans	$289,284,822	$265,878,187

Net consolidated operating earnings, after taxes, were $4,152,574, up $563,751, or 15.7% over 1966. Earnings per share in 1967 were $8.31 versus $7.18 in 1966.

Capital Accounts are now $38,839,099 and reflect an addition to Undivided Profits in 1967 of $2,446,824. This addition was after payment of $1,400,000 in dividends, transfer of $293,280 to Reserve for Possible Loan Losses (net of taxes), loss of $2,423 on sale of securities (net of taxes), and miscellaneous losses (net of taxes) of $10,047. Gross income was $27,395,653, 11% higher than in 1966. Gross expenses were $20,402,621, about 10% greater than for 1966. The total of interest paid on deposits was $8,662,381, and continues to be, by a considerable margin, the highest single expense of the Bank. Interest paid in 1967 was $1,007,057 more than in 1966, an increase of 13%. The average rate of interest paid on Time and Savings Deposits was 4.45% compared to 4.35% in 1966.

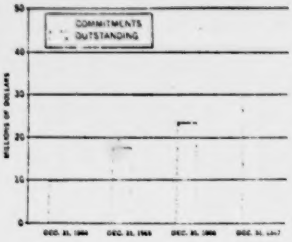
As 1968 opens there appears to be no real prospect of a decline in this highest of all of our expense items. The exception, of course, would be through loss of a substantial amount of such deposits, which obviously no bank wishes to experience. This could happen, however, if yields on public securities continue to exceed the maximum interest rates permitted, and a flight of money out of the banks into bonds and commercial paper were to start again, paralleling the summer of 1966.

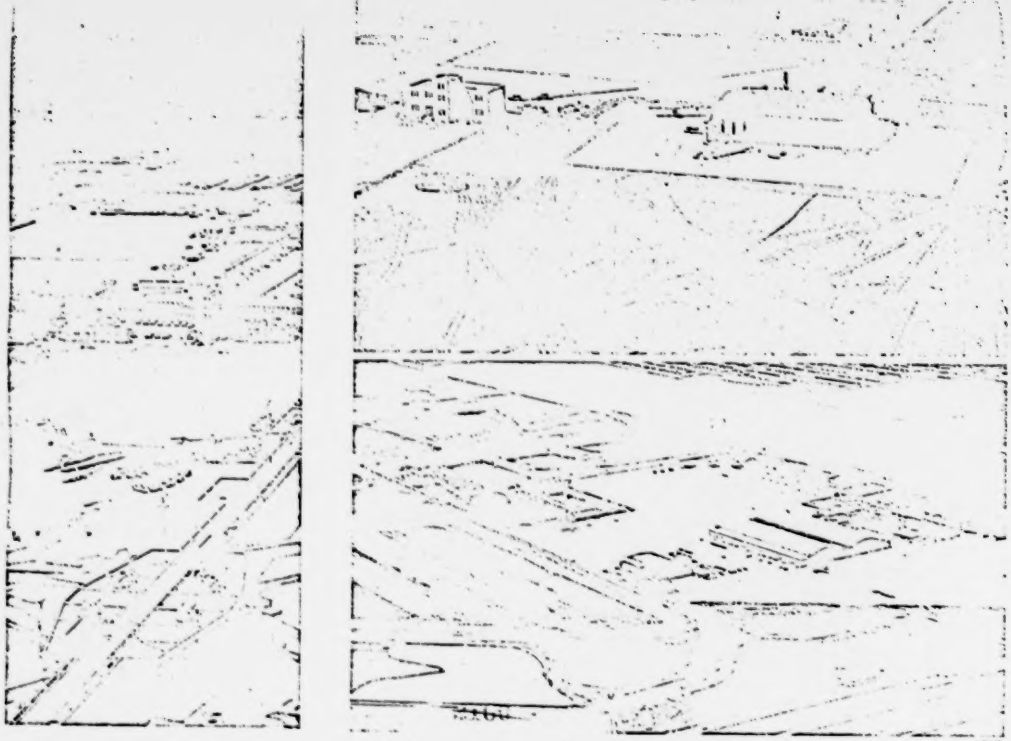
1967 was an active year for the Real Estate Loan Department. Over $10,000,000 in long-term mortgage loans were closed, with the Trust Department a substantial investor in these loans. The Real Estate Department also performs management functions on 371 parcels of real estate held by the Trust Department with an aggregate value of approximately $30,000,000.

Construction loan volume continued to increase as it has for several years. The accompanying graph illustrates the growth in construction lending of the Bank in the last four years. It indicates total commitments outstanding December 31, 1967, amounting to $49,000,000 of which $29,500,000 was actually disbursed. New construction is representative of the community's growth. Because the Bank is interested in the growth and welfare of the community, it has continually increased its investment in new construction.

Mortgage banking firms provide a major supply of long-term mortgage money for the growth of the area by originating loans for investors from capital surplus areas. During 1967, the Real Estate Department extended $93,000,000 in new loans to mortgage bankers who looked to commercial banks for short term credit pending the sale of their loans to investors.

The Denver metropolitan area does not appear to have a surplus of single family homes, apartment houses or first class office space. Consequently, new construction volume in 1968 should exceed that of 1967, especially in the multi-family residential field, assuming that mortgage borrowers are willing to pay rates of interest competitive with other investment yields.





This Department more than doubled its earnings in 1967 and took part in some important syndicates which underwrote municipal bond issues in our area. The Department also buys and sells Federal Funds (Excess Federal Reserve Bank Deposits) in large amounts for correspondents in this area and in the East. These sales and/or purchases actually amount to an overnight loan, and converting the year's activity to a one-day basis, totaled nearly two billion dollars. The average yield received by the Bank on these sales (loans) during 1967 was 4.21% compared to 5.13% in 1966.

Inventory of municipal and U. S. Government bonds is kept at a reasonable level and the outlook for 1968 is considered excellent.

The increase in minimum wages and the new social security law will have a major impact on bank expenses for 1968.

Effective February 1, the minimum wage rate per hour will go from $1.40 to $1.60, representing the largest single increase since the inception of wage controls.

Under the new social security law the tax rate remains at 4.4% for 1968. The rate will increase periodically, however, to a maximum of 5.9% in 1987. The rate applies to all salaries up to $7,800 per year for the year 1968 as opposed to a ceiling of $6,600 in 1967. Therefore, more salary totals will be subject to the tax in 1968 than has been the case in the past.

The Bank continues to employ new personnel at the college level and to make promotions from within. It is interesting to note, however, that during 1967 there was a significant increase in the number of applicants seeking employment at junior through upper middle officer levels, mostly from outside Colorado.

In December, E. Ray Campbell, who had been a Director since 1948, resigned because of ill health and was succeeded by Theodore D. Brown, President of the Security State Bank of Sterling, Colorado. Mr. Brown is a past President of the Colorado Bankers Association, is Chairman of the Agricultural Committee of the American Bankers Association, and is held in very high regard nationally as well as within the State of Colorado.

During 1967 seven staff members retired under the pension plan. The Bank is proud to recognize these loyal officers and employees, whose names and years of service are listed.

John S. Kennedy	45
Theodore C. Cobb	43
Arthur L. Young	39
Howard A. Breytagle	38
Flavella I. S. Hinton	38
Essie Pernell	17
Walter H. Koelling	10

The continuing increase in the volume of checks and deposits being processed prompted the Bank to install a Burroughs B-300 Computer in later October, 1967. The computer, with NCR proof of deposit input, is used for Proof and Transit operations. Over 165,000 items per day are now being processed on this equipment, and dispatched to 184 different banks throughout the country. Faster payment of a greater number of items is anticipated as a result of the new system.

The Bank has expanded its capability in the Computer Servicing Area through the addition of data transmission equipment. Using long distance telephone lines, information is received on magnetic tape for immediate entry into the computer system from outlying sending points. This service is especially adapted to those customers located too far from our Bank to be economically serviced by means of surface transportation. Outgoing information to these points is likewise transmitted by use of the same data transmission system.

For the first time in the Bank's history the gross income of the Trust Department is shown separately in the statement of operating earnings on page 22 of this report. The significant increase, from $3,613,575 in 1966 to $4,147,618 in 1967, continues a long period of unbroken growth in the Department. For purposes of comparison, Trust Department income in 1958, the year of the consolidation of The First National Bank and The International Trust Company, was $957,055.

The Bank continues at a gratifying rate to receive appointments as executor, administrator, guardian and trustee of existing trusts, and designations as potential executor and trustee under the wills of persons still living. The number of new trust accounts

For descriptive text comparing these matching scenes, open this fold.

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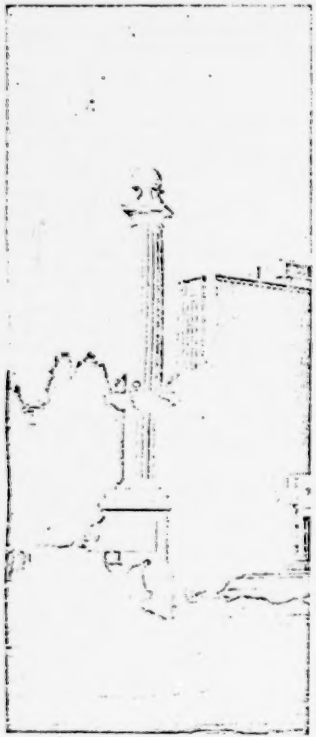
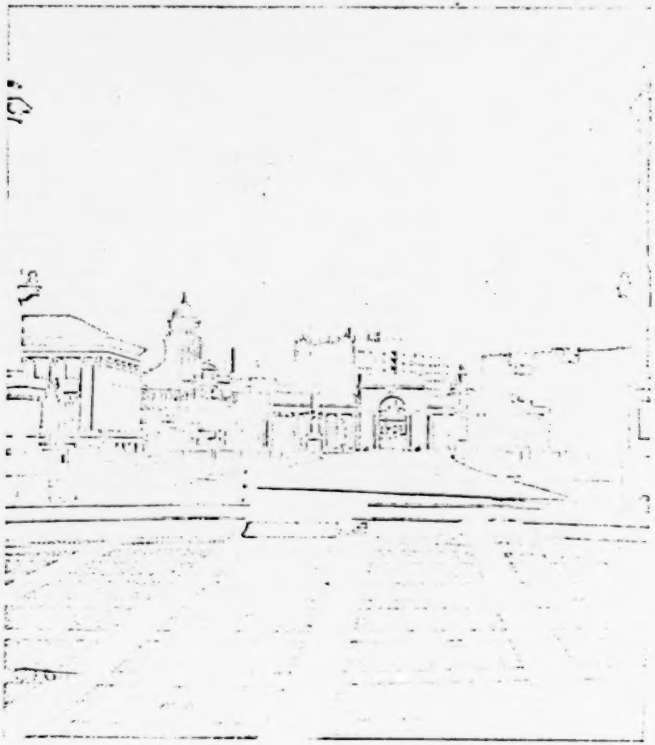
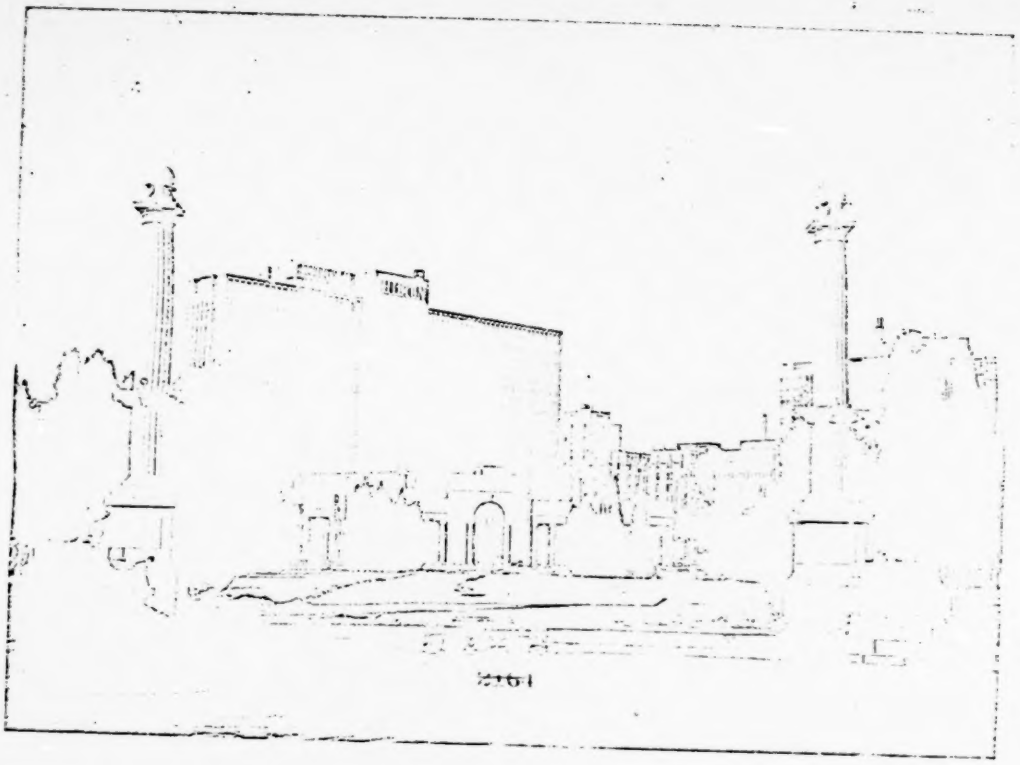
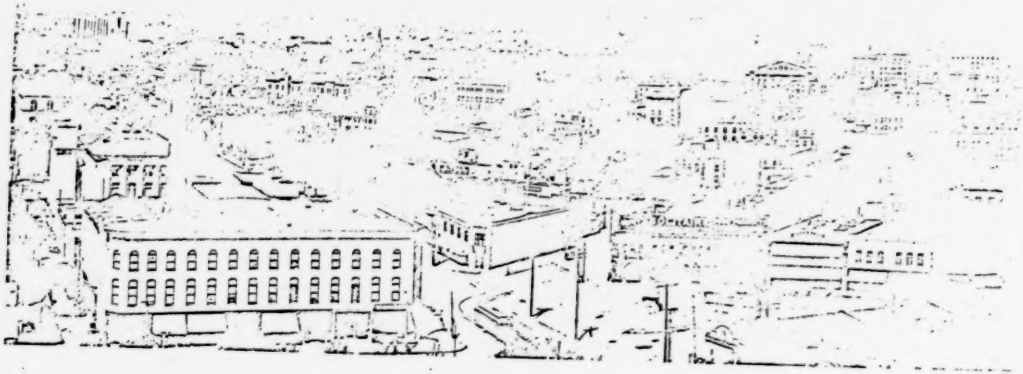
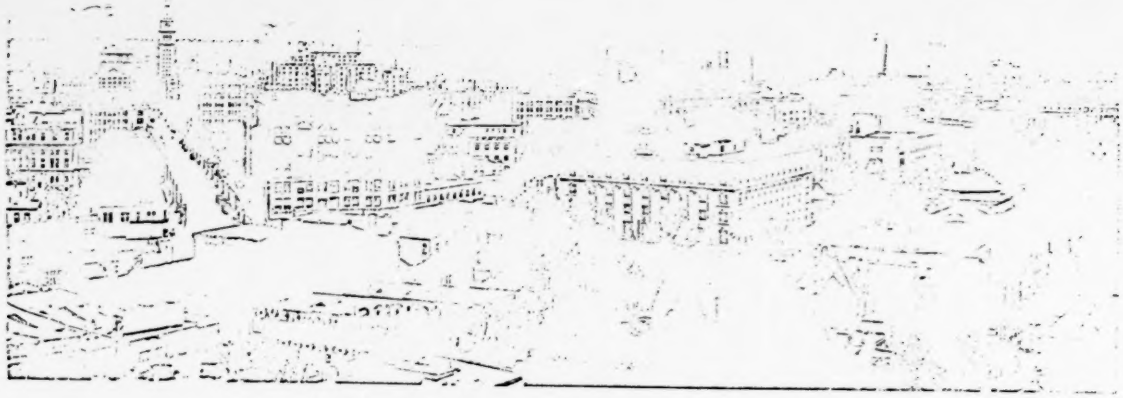
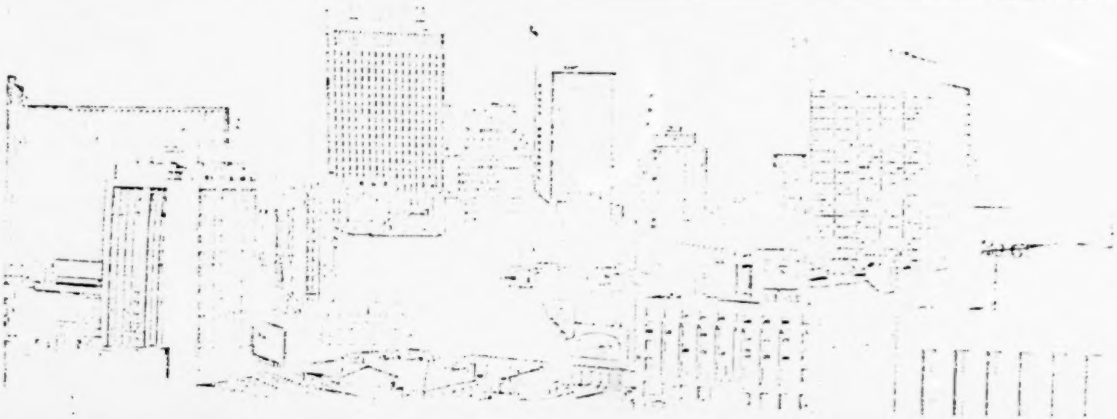










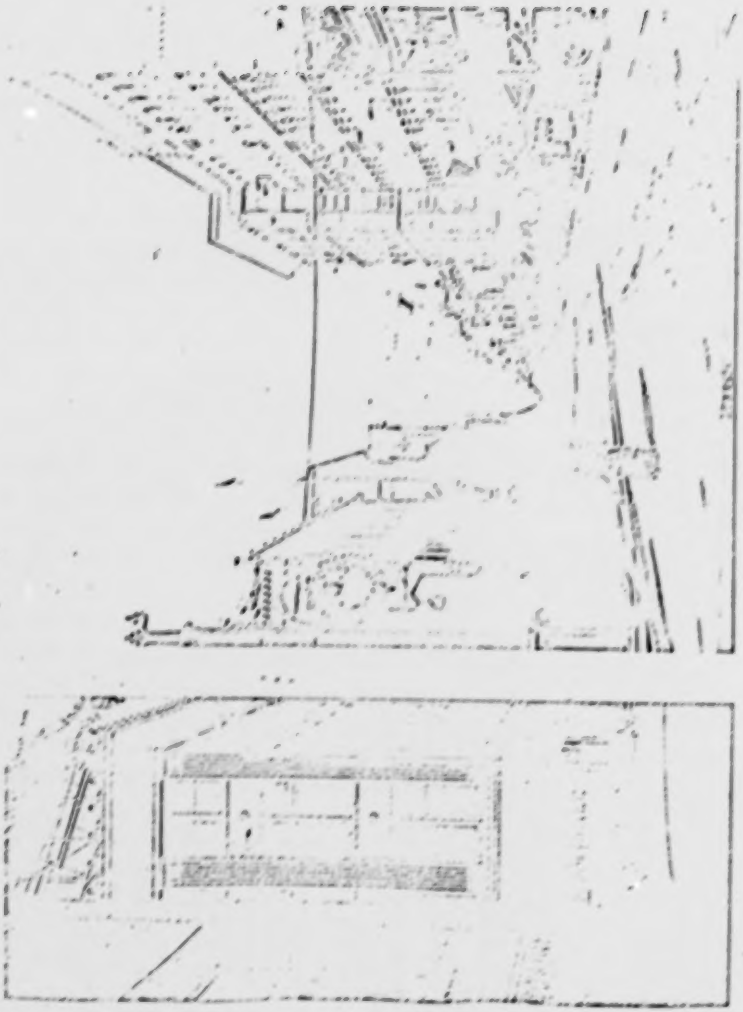


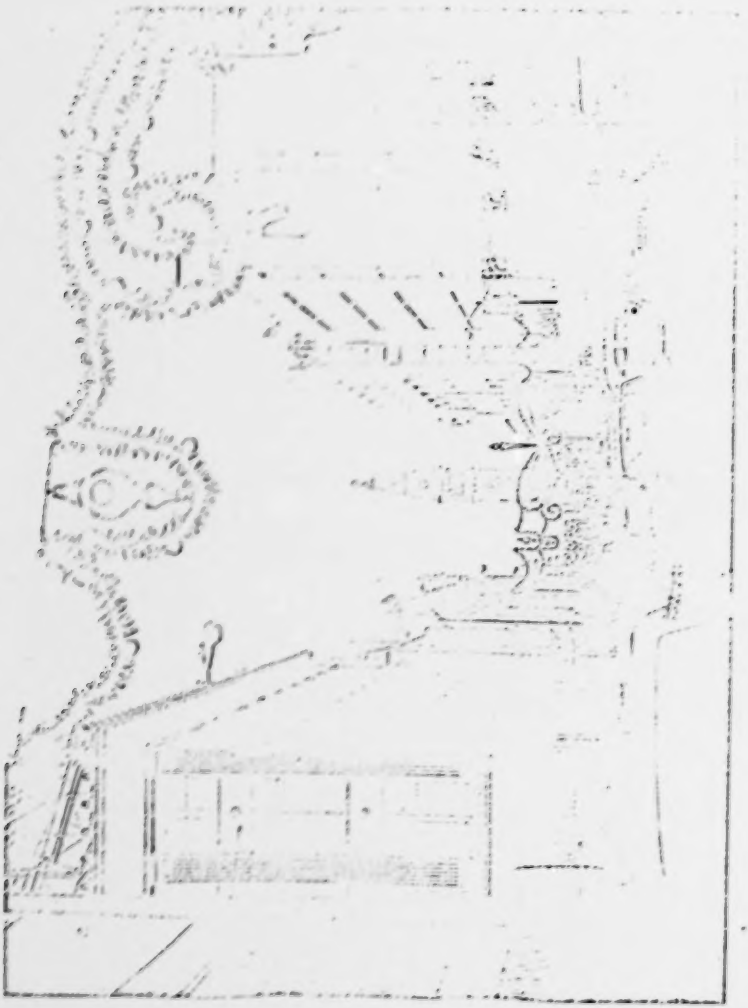
Denver 1911, in panorama, at top, reflected turn-of-the-century placidity into which the automobile age had not quite intruded. Denver 1967, at bottom, is a city of dynamics in motion. At left is the intersection of Colfax and Broadway. The 3-story structure with the big smokestack was the successor to the Tramway Cable Power House. Cable cars gave way to electric trolleys in 1900. Behind that building is the then-Denver Public Library (now Board of Water Commissioners) with the Denver Mint another notch back. Civic Center was about to change from a dream of Mayor Robert W. Speer into brilliant reality. The pedestal of the Pioneer Fountain at the Colfax and Broadway intersection was in place. The domed Courthouse and the Daniels & Fisher tower shared dominance of 16th Street. Visibility along that street was virtually unhampered from one end to the other. Transition brought into being an entirely new city skyline, but many of 1911's buildings are still standing. The awninged Majestic Building at the head of 16th, the Denver Athletic Club, the Brown Palace Hotel, the Kittredge Building, the old YMCA, Trinity Methodist Church, St. Elizabeth's Catholic Church, the Scottish Rite Temple, Central Presbyterian Church and many others. The Hotel Metropole has become the Cosmopolitan. The Grant Smelter Stack, far right in 1911 distance, was dynamited into oblivion in 1950. Both panoramas, 56 years apart, were photographed from the State Capitol.

[illegible]WTH COMPARISON 1959-1967 (Exclusive of The International Realty Company figures)

YEAR END TOTALS: (in thousands)	1967	1966	1965	1964	1963	1962	1961	1960	1959
Deposits:									
Demand	$295,629	$256,581	$252,552	$241,871	$251,657	$268,355	$257,150	$247,150	$232,384
Savings	109,939	102,212	131,862	120,992	104,292	88,044	73,386	64,099	63,709
Other Time	104,168	82,477	43,002	41,543	18,604	20,372	16,666	7,700	6,155
Total	509,736	441,270	427,416	404,406	374,563	376,771	347,242	318,989	295,338
Capital Funds	38,351	36,028	34,296	33,074	31,866	30,904	30,009	29,089	27,761
Loans — Net	289,265	265,878	263,359	224,068	220,643	199,300	173,088	171,802	170,484
U. S. Government Obligations	60,567	44,179	49,973	73,706	59,[illegible]	74,927	91,700	69,721	57,293
Average Life to Maturity	227 days	218 days	148 days	131 days		62 days	129 days	141 days	135 days
Municipal Bonds	42,084	40,429	31,409	16,276	10,662	10,451	1,115	—	119
Average Life to Maturity	3.11 years	3.18 years	2.86 years	2.67 years	3.14 years	3.33 years	4.82 years	— years	1.25 years
AVERAGE YIELD (Note 1)									
Loans	6.21%	5.90%	5.40%	5.41%	5.41%	5.43%	5.42%	5.52%	5.07%
Securities	5.67	5.73	4.07	3.56	3.60	3.33	2.84	3.78	3.31
All Loans and Securities	6.08	5.86	5.00	4.85	4.91	4.76	4.65	5.11	4.49
FINANCIAL RESULTS									
Net Operating Earnings Before Income Taxes — Per Share	$ 13.51	$ 11.83	$ 8.36	$ 8.86	$ 8.58	$ 8.88	$ 9.01	$ 10.01	$ 7.63
Net Operating Earnings After Income Taxes — Per Share	8.06	7.00	5.24	4.65	4.28	4.26	4.21	4.61	3.56
Net Operating Earnings After Taxes as a Percent of Capital Funds at Year-end	10.50%	9.72%	7.46%	7.04%	6.72%	6.90%	7.01%	7.93%	6.42%
CASH DIVIDENDS — Per Share	$ 2.80	$ 2.80	$ 2.34	$ 2.27	$ 2.16	$ 1.95	$ 1.95	$ 1.95	$ 1.82
BOOK VALUE — Per Share	$ 76.70	$ 72.06	$ 66.59	$ 66.15	$ 63.73	$ 61.81	$ 60.02	$ 58.14	$ 55.52

Per share amounts are based on the 500,000 shares outstanding December 31, 1967.
No shares were issued during the nine years other than as stock dividends or stock splits.
(NOTE 1) Income wholly or partially exempt from income taxes is included in Average Yields at rates comparable to fully taxable income.





accepted in the Department increased more than 10% in 1967.

During the year heightened stock market activity, higher common stock prices, and the continued growth of mutual funds served required a higher level of activity in the Mutual Fund Division than ever before. The Bank was also appointed custodian for several additional mutual funds.

Pension and profit-sharing business continues to grow at a rate substantially greater than that of the Department as a whole. Funds received during the year as contributions to pension and profit-sharing plans exceeded the contributions of any previous year, and fees earned increased by more than one-third over last year.

The Trust Department Investment Division, in a year characterized by a rising but highly selective stock market, turned in an excellent performance. As an example, the Equity Division of the Fund for Participating Pension and Profit-Sharing Plans — usually referred to as Common Fund E, and invested entirely in common stocks — recorded a growth of $10.13 per unit from $28.67 on December 31, 1966 to $38.80 on December 31, 1967, an increase of over 35%.

On the other side of the ledger, however, the value of units of Common Trust Fund M, established January 21, 1964 at a value of $100 per unit, invested wholly in tax-exempt municipal bonds, continued to follow the decline in the municipal bond market, and reached a low of $85.81 per unit on November 30, 1967.

The total value of all the assets of the Bank's six Collective Investment Funds, or Common Trust Funds — as they are popularly called, was $129,221,330 on November 30, 1967.

This important Department continued during 1967 to service nearly 250 correspondents located throughout the area served by the Bank.

Livestock loan totals and those on feeder cattle in particular continue to be far larger than any other bank in the area. Loans either through participation from correspondent banks or direct loans represent about 40% of all feeder cattle in Colorado.

Development of new services as a result of computer technology continues to generate additional income in the banking industry. This year the Bank introduced RecordAccount, a computer-oriented record keeping service for individuals and small businesses.

A growing number of national corporations maintain accounts with the Bank through their Denver operations. Business Development Department officers travel regularly to principal cities throughout the nation to provide liaison with these national accounts and with key financial centers. Department officers participate in Chamber of Commerce programs designed to attract national corporations to Denver and the area.

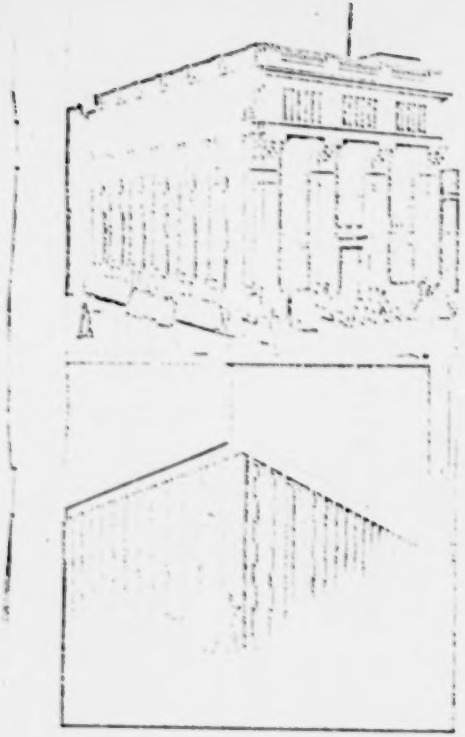
The Bank's continuing cross-selling program has contributed substantially to total new business in 1967. The program emphasizes development of a more knowledgeable and sales-minded staff.

Civic and community participation is a further responsibility of the Business Development Program, involving every director, officer and member of the Bank's staff.

The First National Banks of North Glenn, Southglenn and Bear Valley, experienced very satisfactory growth during 1967, as is indicated by the figures, page 8 (these figures are not incorporated in any of the totals of The First National Bank of Denver shown elsewhere in this report).

The Bear Valley Bank demonstrated a faster growth rate in 1967 than either of its two affiliates, but the North Glenn Shopping Center, which is to be one of the largest regional shopping centers in Colorado, will be completed by mid-1968 and should prove a substantial business generator for the North Glenn Bank.

The Southglenn Bank continues to operate in rented quarters which have been expanded but are still not properly located to stimulate faster growth of the bank. A new building is needed for the bank and an excellent location is available. The bank itself does not have sufficient capital to finance an adequate building for its own occupancy, but assuming that The First National Bancorporation becomes an operating entity, it will be able to provide funds for such quarters.



Homburgs were much in evidence when The International Trust Company moved to its new building in 1912 at 17th and California Streets. When The First National Bank of Denver and International Trust merged in 1958, the 1912 structure had been totally remodeled, resurfaced and refurbished. Result: The handsome banking complex of today.

GROWTH COMPARISON

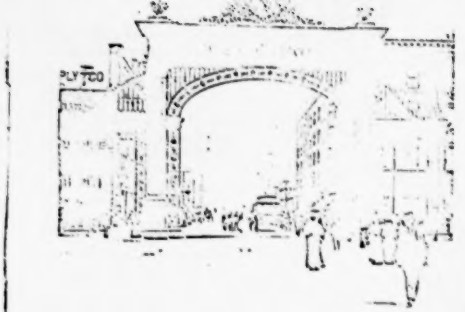
YEAR END TOTALS: (In thousands)	1967	
*Deposits:		
Demand	$295,629	$
Savings	109,939	
Other Time	104,168	
Total	509,736	
Capital Funds	38,351	
Loans — Net	289,285	
U. S. Government Obligations	60,567	
Average Life to Maturity	227 days	
Municipal Bonds	42,084	
Average Life to Maturity	3.11 years	
AVERAGE YIELD (Note 1)		
Loans	6.21%	
Securities	5.67	
All Loans and Securities	6.08	
FINANCIAL RESULTS		
Net Operating Earnings Before Income Taxes — Per Share	$ 13.51	$
Net Operating Earnings After Income Taxes — Per Share	8.06	
Net Operating Earnings After Taxes as a Percent of Capital Funds at Year-end	10.50%	
CASH DIVIDENDS —		
Per Share	$ 2.80	$
BOOK VALUE —		
Per Share	$ 76.70	$

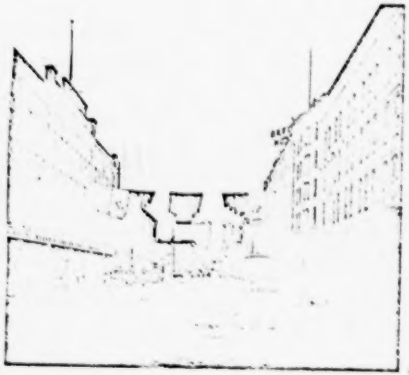
(NOTE 1) Per share a… no shares … income who…

THE FIRST NATIONAL BANK OF DENVER AND WHOLLY OWNED SUBSIDIARY, THE INTERNATIONAL REALTY COMPANY
BALANCE SHEETS
DECEMBER 31, 1967 AND 1966

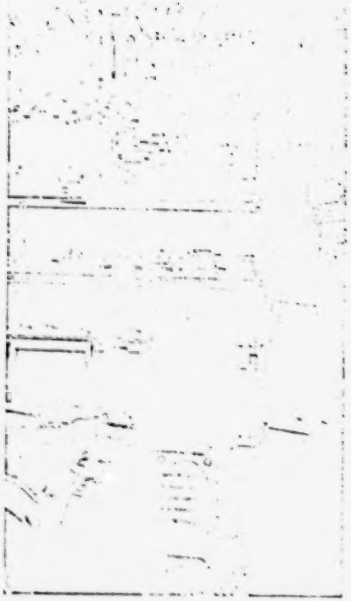
	Bank Only		Consolidated	
RESOURCES	1967	1966	1967	1966
Cash and Due from Banks	$143,454,568	$117,117,407	$143,454,618	$117,117,633
U. S. Government Obligations	60,567,338	44,179,426	60,567,338	44,179,426
Obligations of States and Political Subdivisions	42,084,102	40,429,352	42,084,102	40,429,352
Other Securities	920,000	910,000	920,000	910,000
Federal Funds Sold	2,150,000	— 0 —	2,150,000	— 0 —
*Loans	289,284,822	265,978,187	289,294,522	265,846,157
Bank Premises and Equipment	9,230,644	9,261,132	15,456,557	16,031,295
Customers' Acceptances Liability	90,983	446,024	90,983	446,024
Income Earned, Uncollected	4,341,163	3,906,034	4,341,163	3,904,838
Other Assets	1,157,367	618,806	1,355,697	801,123
Total Resources	$553,280,987	$482,746,368	$559,705,680	$489,665,853
*After Deduction of Loan Reserve	$ 3,463,699	$ 2,927,058	$ 3,463,699	$ 2,927,058
LIABILITIES				
Deposits:				
(a) Demand	$295,629,141	$256,581,516	$295,289,415	$256,428,995
(b) Time	214,107,292	184,688,639	214,107,292	184,658,639
Mortgages Payable	— 0 —	— 0 —	5,806,852	6,213,445
Acceptances Outstanding	90,983	446,024	90,983	446,024
Income Collected, Unearned	1,517,325	1,227,545	1,517,325	1,227,545
Other Liabilities	3,585,265	3,774,479	4,053,714	4,208,960
Total Liabilities	$514,930,006	$446,718,203	$520,866,581	$453,273,608
CAPITAL ACCOUNTS				
Equity Capital:				
Common Stock: 500,000 Shares Authorized and Outstanding, Total Par Value	$ 10,000,000	$ 10,000,000	$ 10,000,000	$ 10,000,000
Surplus	20,000,000	20,000,000	20,000,000	20,000,000
Undivided Profits	8,350,981	6,028,165	8,839,099	6,392,275
Total Capital Accounts	$ 38,350,981	$ 36,028,165	$ 38,839,099	$ 36,392,275
Total Liabilities and Capital	$553,280,987	$482,746,368	$559,705,680	$489,665,883

NOTE: All inter-company items have been eliminated in the Consolidated figures.





The arch which spanned the 17th Street entry to Union Station said "Welcome" to those arriving in Denver and "Mizpah" to those departing. (Mizpah was a farewell term used to recall these words: "The Lord watch between me and thee, when we are absent from each other.") Built in 1906, the Arch was torn down in 1931 in part because of depression protests that the city spent $9,000 a year to light it. The view east on 17th has changed since then. It is sharpened by progress and mellowed by nostalgia.



GROWTH COMPARISON

YEAR END TOTALS: (in thousands)	1967	
Deposits:		
Demand	$295,629	$
Savings	109,939	
Other Time	104,168	
Total	509,736	
Capital Funds	38,351	
Loans — Net	289,285	
U. S. Government Obligations	60,567	
Average Life to Maturity	227 days	
Municipal Bonds	42,084	
Average Life to Maturity	3.11 years	
AVERAGE YIELD (Note 1)		
Loans	6.21%	
Securities	5.67	
All Loans and Securities	6.08	
FINANCIAL RESULTS		
Net Operating Earnings Before Income Taxes — Per Share	$ 13.51	$
Net Operating Earnings After Income Taxes — Per Share	8.06	
Net Operating Earnings After Taxes as a Percent of Capital Funds at Year-end	10.50%	
CASH DIVIDENDS —		
Per Share	$ 2.80	$
BOOK VALUE —		
Per Share	$ 76.70	$

(NOTE 1) Per share No shares income wi

THE FIRST NATIONAL BANK OF DENVER AND WHOLLY OWNED SUBSIDIARY, THE INTERNATIONAL REALTY COMPANY
STATEMENT OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1967 AND 1966

	Bank Only		Consolidated	
OPERATING INCOME:	1967	1966	1967	1966
Interest and Fees on Loans	$17,204,575	$15,735,060	$17,204,522	$15,731,873
Interest and Dividends on:				
U.S. Government Obligations	2,465,723	1,897,558	2,465,723	1,897,558
Obligations of States and Political Subdivisions	1,325,226	1,339,323	1,325,226	1,339,323
Trust Department	4,147,618	3,613,575	4,147,618	3,613,575
Other	2,252,564	2,076,654	2,252,564	2,076,654
Total	27,395,706	24,662,170	27,395,653	24,658,983
OPERATING EXPENSES:				
Salaries and Bonuses	6,262,810	5,608,901	6,262,810	5,608,901
Pensions, Profit Sharing, and Other Employee Benefits	1,085,060	1,098,886	1,085,060	1,098,886
Interest on Deposits	8,662,381	7,655,324	8,662,381	7,655,324
Equipment Rentals, Depreciation, Maintenance	1,418,419	1,057,073	1,418,419	1,057,073
Other	3,214,470	3,325,138	2,973,951	3,154,425
Total	20,643,140	18,745,322	20,402,621	18,574,609
OPERATING EARNINGS BEFORE INCOME TAX	6,752,566	5,916,848	6,993,032	6,084,374
INCOME TAXES APPLICABLE TO OPERATING EARNINGS	2,724,000	2,416,000	2,840,458	2,495,551
NET OPERATING EARNINGS	4,028,566	3,500,848	4,152,574	3,588,823
Per Share (500,000 Shares)	$8.06	$7.00	$8.31	$7.18
NON-OPERATING ADDITIONS — NET AFTER TAX EFFECT (All sundry other items)	12,940	10,508	12,940	10,508
NON-OPERATING DEDUCTIONS — NET AFTER TAX EFFECT:				
Net Security Losses	2,423	27,809	2,423	27,809
Transfer to Reserve for Loan Losses	293,280	342,160	293,280	342,160
Other	22,987	8,809	22,987	8,809
Total Non-operating Deductions	318,690	378,778	318,690	378,778
NET NON-OPERATING ADDITIONS (DEDUCTIONS)	(305,750)	(368,270)	(305,750)	(368,270)
TRANSFERRED TO UNDIVIDED PROFITS	$ 3,722,816	$ 3,132,578	$ 3,846,824	$ 3,220,553
PER SHARE (500,000 Shares)	$7.45	$6.27	$7.69	$6.44

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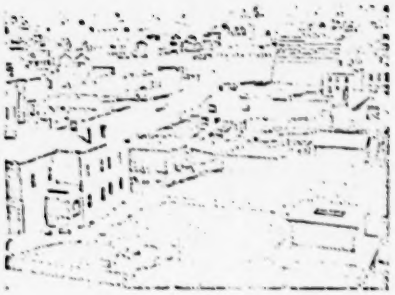
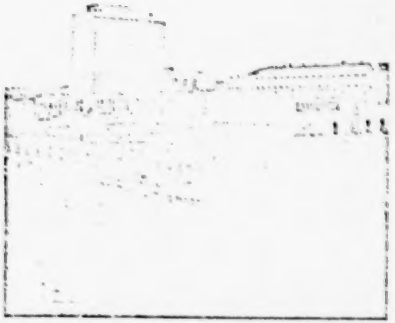
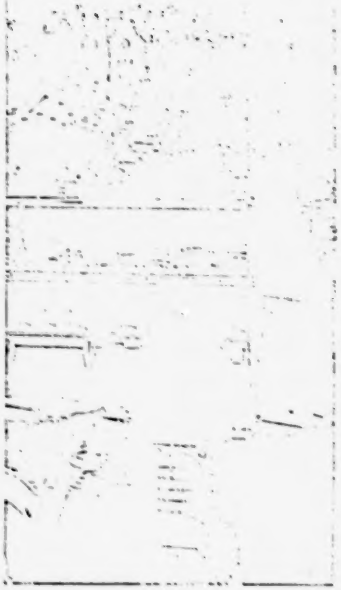




In 1874, Denver provided a pleasantly pastoral setting. This photo was made looking east along 18th Street from the Arapahoe School at 18th and Arapahoe Streets, the first public school in Denver. A parking lot now occupies the original site. From an adjoining vantage point today, the new Federal Building dominates the landscape. The new United States Courthouse adjoins the Building at the right. At far right, background, is the United States Postoffice.



GROWTH COMPARISON

YEAR END TOTALS: (in thousands)	1967	
Deposits:		
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Other Time	104,168	
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Capital Funds	38,351	
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Net Operating Earnings After Taxes as a Percent of Capital Funds at Year-end	10.50%	
CASH DIVIDENDS — Per Share	$ 2.80	$
BOOK VALUE — Per Share	$ 76.70	$

Per share
No shares
(NOTE 1) Income wr

THE FIRST NATIONAL BANK OF DENVER AND WHOLLY OWNED SUBSIDIARY, THE INTERNATIONAL REALTY COMPANY
RECONCILEMENT OF CAPITAL ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1967 AND 1966

	Bank Only		Consolidated	
	1967	1966	1967	1966
BALANCE, BEGINNING OF YEAR	$36,028,165	$34,295,587	$36,392,275	$34,571,722
Additions — Transferred from Statement of Earnings	3,722,816	3,132,578	3,846,824	3,220,553
Deductions — Cash Dividends Declared, $2.80 Each Year*	(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)
BALANCE, END OF YEAR	$38,350,981	$36,028,165	$38,839,099	$36,392,275

*500,000 Shares Outstanding

RECONCILEMENT OF VALUATION AND CONTINGENCY RESERVES
FOR THE YEARS ENDED DECEMBER 31, 1967 AND 1966

	Valuation Reserve for Loan Losses Pursuant to Internal Revenue Service Rulings Bank and Consolidated	
	1967	1966
BALANCE, BEGINNING OF YEAR	$2,927,058	$2,470,687
Recoveries Credited to this Reserve	84,375	34,347
Transfers to this Reserve	600,000	700,000
Total	3,611,433	3,205,034
Losses Charged to this Reserve	147,734	277,976
BALANCE, END OF YEAR	$3,463,699	$2,927,058

NOTE — No other valuation and contingency reserves are maintained.

NATIONAL BANK OF DENVER
IARY, THE INTERNATIONAL REALTY COMPANY
ENT OF CAPITAL ACCOUNTS
NDED DECEMBER 31, 1967 AND 1966

Bank Only		Consolidated	
1967	1966	1967	1966
$36,028,165	$34,295,587	$36,392,275	$34,571,722
3,722,816	3,132,578	3,846,824	3,220,553
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$38,350,981	$36,028,165	$38,839,099	$36,392,275

UATION AND CONTINGENCY RESERVES
IDED DECEMBER 31, 1967 AND 1966

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	1967	1966
YEAR	$2,927,058	$2,470,687
	84,375	34,347
ve	600,000	700,000
	3,611,433	3,205,034
	147,734	277,976
	$3,463,699	$2,927,058

contingency reserves are maintained.

In the late 1880s, the view from the top was the view from the Courthouse, bounded by 15th and 16th Streets and Court Place and Tremont Place. Trinity Methodist Church looms impressively looking northeast. Eighty years later, the steeple is clearly visible despite the welter of tall towers which have grown around it.

BUSINESS CAPITAL EXPENDITURES:

The amount which business spends each year for new plant and equipment. It is estimated that each dollar increase in business capital spending produces a rise of almost two dollars in the Gross National Product (GNP) during the twelve months following the increased spending.

CAPITAL:

Carrying value of capital stock outstanding, the number of shares multiplied by the par value of each share.

CAPITAL FUNDS:

The figure representing the sum of Capital, Surplus and Undivided Profits.

CAPITAL NOTES:

Debt instruments of a bank having maturities longer than two years issued to obtain additional funds for loaning and investing. Proceeds from the notes are not deposits requiring the maintenance of legal reserves, and the claims of the holders are subordinate to the claims of depositors.

CENTRAL BANK:

In the United States, The Federal Reserve Bank, with its home office in Washington, D.C., is our nation's Central Bank and corresponds approximately to the Bank of England, Bank of France, Bank of Switzerland, etc. Its basic responsibility is control of the su[illegible] of currency and credit and, to a certain extent, of interest rates on bonds, bank loans, etc.

DEMAND DEPOSIT:

Money on deposit in checking accounts subject to withdrawal at any time.

DISINTERMEDIATION:

A massive shift of savings away from financial institutions directly into other money market instruments.

DUAL BANKING:

Since the passage of the National Bank Act in 1863, our nation has had two banking systems: one consists of the national banks chartered by the federal government, the other is made up of banks chartered by the state in which they operate. Most states (36) permit banks to have some form of branches. No bank, however, may branch across a state line.

FEDERAL FUNDS:

Every national bank and every state member bank of the Federal Reserve System must [illegible] its deposits with the Federal Reserve Bank in [illegible] district a specified percentage of its total deposits. When the amount on deposit is above the legally required reserve, the bank may sell the excess funds to other banks at available interest rates — usually about the same as the Rediscount Rate. Conversely, if the bank has an insufficient reserve, it must borrow from its Federal Reserve Bank or purchase from another bank the necessary amount to comply with the reserve requirement. These transactions between individual banks are called "Federal Funds Sold" or "Federal Funds Purchased."

FEDERAL RESERVE BANK STOCK:

Every national bank and every state bank member of the Federal Reserve System must own Federal Reserve Bank stock in the amount of 6% of the member bank's combined Capital and Surplus. Only one-half of the 6%, however, must be subscribed in cash — the other one-half is payable on demand by The Federal Reserve Bank.

GROSS NATIONAL PRODUCT:

The sum of the funds expended for goods and services. Specifically, it is made up of the sum of the following business capital expenditures, inventory buying, federal governmental spending, state and local government spending, housing costs, consumer spending, and foreign trade.

LEGAL LOAN LIMIT:

In a national bank this is equal to 10% of the sum of Capital and Surplus. For state banks the amount is set by statute, but in most states it is 15% of Capital and Surplus.

LOAN RATIO:

The ratio computed by dividing total loans by total deposits. It is the most common ratio used by bankers and supervisory officials to measure the liquidity or non-liquidity of the banking industry and is a prime determinant of the availability of bank credit.

LOAN VALUATION RESERVE:

(Also sometimes called Bad Debt Reserve) Internal Revenue Service regulations, revised in 1965, now permit the accumulation of a Reserve for Possible Loan Losses, for most banks, up to a ceiling of 24% of eligible loans at year-end. Subject to this ceiling and certain other conditions, banks may deduct from taxable income each year, for addition to the Reserve, the sum of: (1) actual losses during the year, (2) 24% of the increase in eligible loans, and (3) one-tenth of any difference between the Reserve on December 31, 1964 and the 24% ceiling figure on that date.

OTHER ASSETS:

This normally consists of claims, insurance premiums paid in advance, and miscellaneous assets of small amounts not subject to inclusion in any other designation of assets.

OTHER SECURITIES:

Investment securities other than United States Government or Government guaranteed bonds. Sometimes municipal bonds are included in this description but normally they are separately listed.

PRIME RATE:

Usually called the "New York Prime Rate," this represents the lowest interest rate which New York banks will offer to their borrowers having the highest credit rating. The term is now subject to considerable criticism and is likely to [illegible] progressively less important in banking parlance.

REDISCOUNT RATE:

The lowest interest rate which the Federal Reserve banks of the banker indirectly charge their member banks for economic funds to maintain required reserves, or for other purposes.

RESERVE RATIO:

The ratio normally arrived at by dividing the sum of cash and government bonds by total deposits.

SAVINGS DEPOSIT:

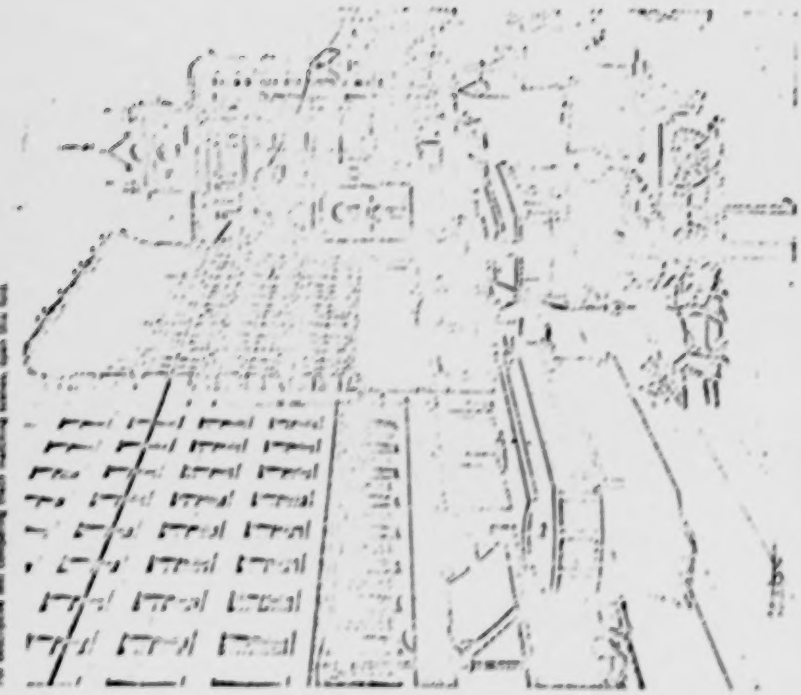
Money on deposit in personal savings accounts owned by individuals or associations. Transfer Savings and Time Deposits can be withdrawn by check.

SURPLUS:

In established banks, surplus is earnings of previous years which have been transferred from the Undivided Profits Account to the Surplus Account. Surplus funds can be utilized only by vote of the Stockholders of the bank and approval of the appropriate supervisory authority, state or national. Undivided Profits may be applied by vote of the Directors alone.

TIME DEPOSIT:

These are funds on deposit, represented by a Certificate of Deposit, ordinarily payable to a corporation on a future date and at an agreed interest rate. These Certificates may also be issued to individuals but, in this case, are usually called Savings Certificates. In either event, "Time Deposit" denotes a contract between the bank and the depositor for a specific period and at a specific rate of interest.



In the early 1900s, horse-drawn wagons, streetcars (equipped with tradition-honored cowcatchers) and tin lizzies vied for the right-of-way at 15th and Champa Streets. A silhouetted prospector stood proudly atop the Mining Exchange Building, a sculptured tribute to the 1859 gold rush which had started Denver on its way toward greatness. Now the building is gone. So are the streetcar tracks. The prospector now reposes at Brooks Towers.
The gleaming white walls of a new Mountain States Telephone and Telegraph Co. structure and the Towers, just beyond, symbolize a new growth, a new vigor. Note how little the Insurance Exchange Building at left foreground (formerly the Gas & Electric Building) has allowed the years to weigh upon it.

OTHER ASSETS:
This normally consists of claims, insurance premiums paid in advance, and miscellaneous assets of small amounts not subject to inclusion in any other classification of assets.

OTHER SECURITIES:
Investment securities other than United States Government or Guaranteed guaranteed bonds. Sometimes municipal bonds are included in this description but normally they are separately listed.

PRIME RATE:
Usually called the "New York Prime Rate," this represents the lowest interest rate which New York banks will offer to their borrowers having the highest credit rating. The term is now subject to considerable variation and is likely to become progressively less important in banking parlance.

REDISCOUNT RATE:
The lowest interest rate which the Federal Reserve banks of the twelve districts charge their member banks for borrowed funds to maintain required reserves, or for other purposes.

RESERVE RATIO:
The ratio normally arrived at by dividing the sum of cash and government bonds by total deposits.

SAVINGS DEPOSIT:
Money on deposit in personal savings accounts owned by individuals or associations. Neither Savings nor Time Deposits can be withdrawn by check.

SURPLUS:
In established banks, Surplus is earnings of previous years which have been transferred from the Undivided Profits Account to the Surplus Account. Surplus funds can be utilized only by vote of the Stockholders of the bank and approval of the appropriate supervisory authority, state or national. Undivided Profits may be applied by vote of the Directors alone.

TIME DEPOSIT:
These are funds on deposit, represented by a Certificate of Deposit, ordinarily payable to a corporation on a future date and at an agreed interest rate. These Certificates may also be issued to individuals but, in this case, are usually called Savings Certificates. In either event, "Time Deposit" denotes a contract between the bank and the depositor for a specific period and at a specific rate of interest.

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Partner, Woods, Attorneys

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Assistant Vice President
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BOYCE D. CLARK
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J. RODNEY LARSON
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Assistant Vice Presidents
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Assistant Cashier
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Assistant Vice President
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Assistant Cashiers
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Vice President
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Assistant Cashier
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Assistant Trust Officer
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Trust Officer
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Trust Officers
LLOYD Y. CHAFT
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Trust Officer
ROBERT A. PASHE

Assistant Trust Officers
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GEORGE M. CROSS
JOHN H. LEGER

Vice President
CHARLES S. HOLTZ

Assistant Cashier
JOHN J. PERIZZOLO

Auditor
HAROLD O. ANDERSON

Assistant Auditors
EARL E. HAGEN
JOHN D. NELSON

ADVERTISING AND PUBLIC RELATIONS

Services and advertisements of early-day Denver banks were staunchly precise and consistently understated.

In transition, both have changed character, expanded and grown.

In 1967, the advertising and public relations programs of The First National Bank of Denver sought new patterns in communication.

A consistent, coordinated campaign based on the theme of the Bank "that never lets you down" stressed the versatility of The First in meeting the banking service requirements of all its customers.

The theme was tied into all phases of The First's advertising — television commercials, radio, newspaper, magazine, billboards.

An original musical signature, backed by a vocal group, carried the "never lets you down" thought into melody.

Several innovations in methods of conveying The First's interest in the community were developed.

Among them was a full-color, half-hour film, "Robbie and the White Bike," produced for The First and dedicated to Metropolitan Denver.

It unfolded — with original musical score and without narration — the odyssey of a young boy who sets out to view the city on a white bike "borrowed" from his brother.

"Robbie" enabled its viewers to see Denver through the excited eyes and fresh viewpoint of a youngster.

The Bank's advertising and public relations activities in 1967 were another dramatic example of transition — into an era when a bank serves its community not only through commercial channels but by being a creative corporate source.

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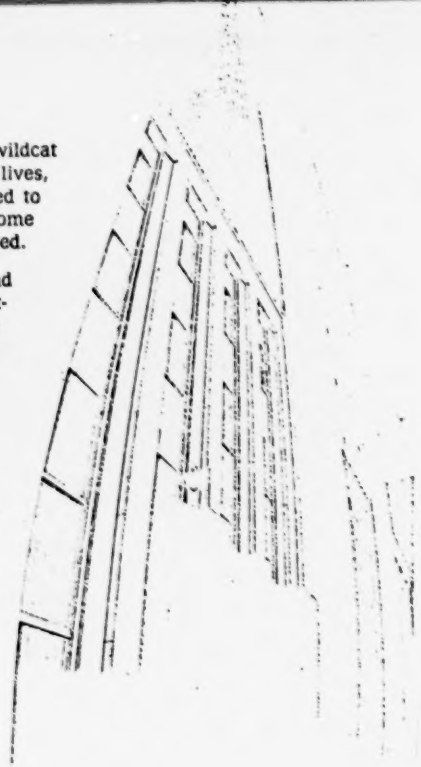
The First National Bank of Denver // Annual Report 1968

DENVER IS...

Denver is the open-faced offspring of the wildcat West, where it was fashioned and where it lives, and the energetic East, whose many surged to the frontier in search of the wealth which some found and far more missed.

It is a city of contrasts, of tangible limits and unbounded aspirations, a city where the Western vista is the formidable range of blue Rockies and its Eastern view that of level, oft-productive, oft-troubled plains.

Denver is a place where Western pioneering runs smack into Eastern practicality and the resultant conflict spurs intelligent innovation.



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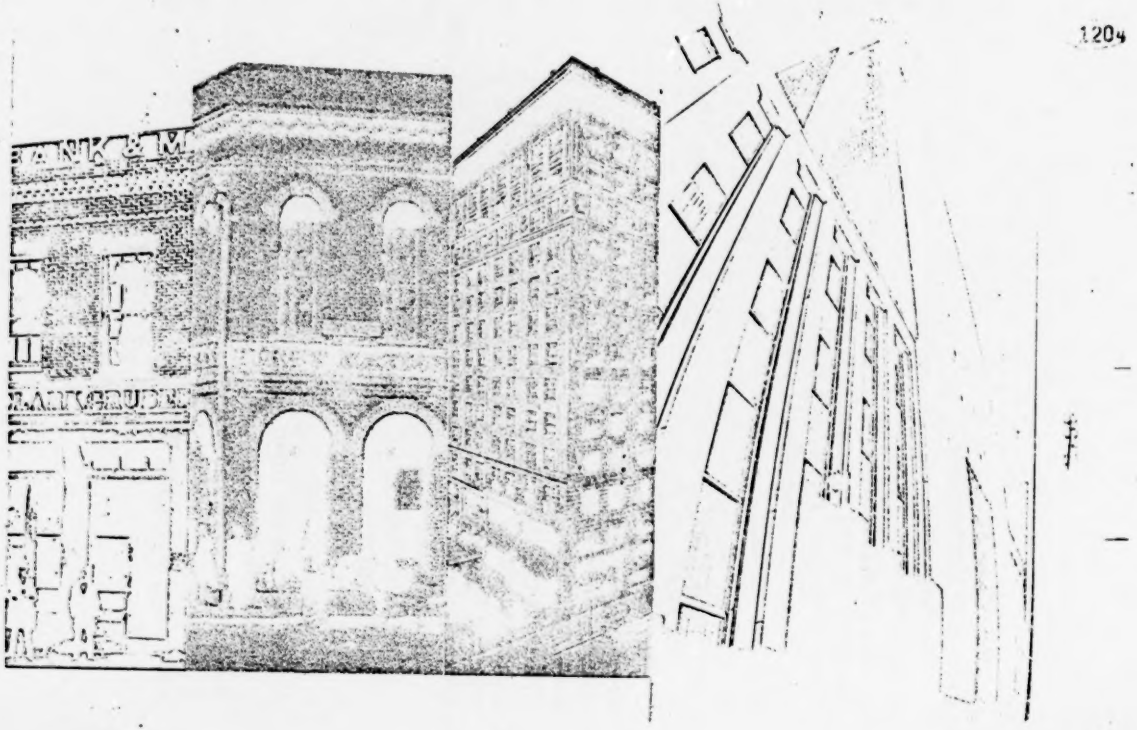


1968 was a year of new records:

Record high net operating earnings for The First National Bank of Denver—$4,645,987, or $9.29 per share, a 12% increase over the $4,152,574, or $8.31 per share, of 1967.

Record new loan totals. Net loans on December 31, 1968, were $332,708,778, an increase of $43,423,956 over loans at the end of 1967. The average ratio of loans-to-deposits during 1968 was 61.4%.

Record new deposit totals. At December 31, 1968, net deposits were $550,248,825, an increase of $40,853,118, or 8%, over the $509,395,707 on December 31, 1967.

Record total assets. For the first time in the Bank's 108-year history, total assets exceed $600 million on a statement date. At year-end the total was $625,750,513, an increase of $66,044,833 over the end of 1967. Average assets during the year 1968 were $570,400,000.

Record new highs in interest rates received on loans and investments. The Prime Rate has changed six times during the last nine months. At year-end it stood at 6.75% but was raised to 7%, a historic high, on January 7, 1969. Rates on all types of investments except municipal bonds and Moody's Baa-rated corporate bonds are at the highest levels in this century and show no signs of moderating.

Congress, in the summer of 1968, passed the new income surtax and cut government expenditures materially. These strong measures were expected rapidly to slow down the extreme inflationary trend of the national economy. In fact, anticipating this slowdown, and apprehensive of an "overkill" by too fast a retrenchment, the Federal Reserve System, on August 30, 1968, lowered the Discount Rate from 5.50% to 5.25%. In addition, through the Open Market Committee, the System strongly supported the government bond market. As a result interest rates dropped rather sharply, but the economy continued to surge upward and no signs of a slowing down of the inflation pressure appeared at all, nor have they yet become apparent except to a minor degree.

Throughout the summer of 1968, the New York Prime Rate remained at the 6.50% level established in April, but late in September it was reduced to 6% by one of the major banks of the nation, resulting in generally lower interest rates. Other major banks, however, lowered the rate only to 6.25%, and then on December 2 it went back up to 6.50% followed quickly on December 18 by another ¼ of 1% increase to 6.75%. On January 7, 1969, another .25% increase was imposed to a new historic high of 7%. These increases reflect very strong loan demand, continued inflationary pressure on our whole economy, and perhaps a new tendency for the Prime Rate to move up or down more quickly than in the past, as a result of changes in general money rates which have heretofore been ignored.

As 1969 opened, many economists, but by no means all, agreed that some slowdown in the economy will appear in the first six months because of the delayed but cumulative effects of the tax increase and budget cuts. If the tax increase is not renewed this summer, however, it is difficult to foresee any real and lasting dimunition in inflationary pressures.

Commercial banks should have another good year because of high interest rates and heavy demand for loans (preliminary projection of the increase in net earnings for the industry is 8.5%). Our Bank will share in this increase, but heavy start-up expenses attendant upon a decision to market a credit card are likely to hold down the 1969 net by some appreciable degree. On December 2, 1968, we entered into a joint venture with the American National Bank of Denver and the Denver U.S. National Bank to form the Mountain States Bankcard Association as the mechanical vehicle to set up and market Master Charge, an internationally accepted card. With only one or two exceptions, all major banks of the nation now have either issued credit cards or made the basic decision to do so.

On July 15, 1968, the Bank purchased the mortgage servicing rights plus a small amount of furniture and equipment of Denver-based Mortgage Investments Company, one of the nation's largest mortgage banking firms. More detail on this important acquisition will be found under the Real Estate Loan Department section on Page 10.

On May 27, 1968, the Federal Reserve Board of Governors issued to The First National Bancorporation permission to form a registered bank holding company. On July 10, 1968, Bancorporation issued to the stockholders of the four banks listed below an offer to exchange stock of those banks for Bancorporation stock on formulae set out in the Prospectus. The exchange offer expired on October 4, 1968, and on that date the following amounts of stock of the banks had been deposited for exchange:

The First National Bank of Denver	99.67%
The First National Bank of Bear Valley	89.44%
The First National Bank of North Glenn	92.91%
The First National Bank of Southglenn	88.60%

Stock of Bancorporation was thereupon issued to its new stockholders and, at the present time, the management is actively studying several other banks in an effort to determine the practicality and desirability of negotiating with one or more of them for their acquisition by Bancorporation, subject in all cases to approval of the Board of Governors.

Bancorporation will issue its own 1968 Annual Report prior to the time its proxy statements are mailed to stockholders in mid-April.

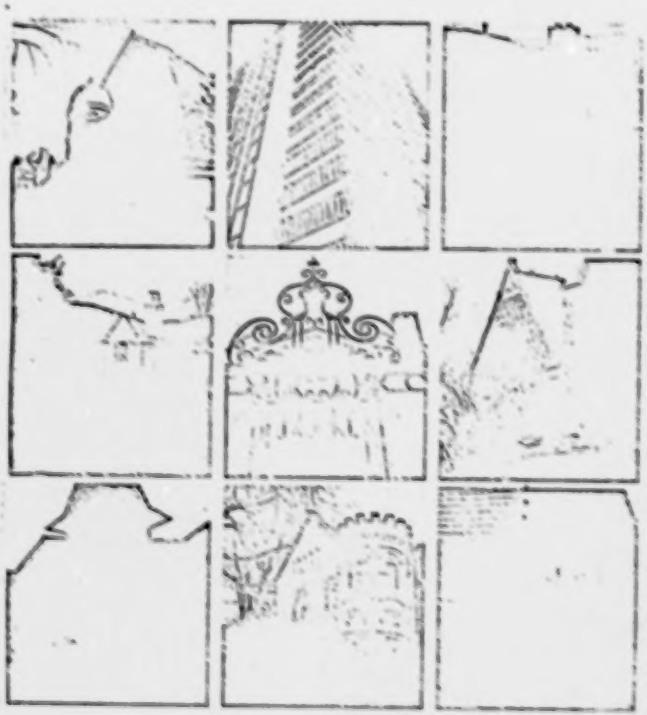
The First National Bank of Denver, in concert with its former affiliates, is now a unit of a new registered bank holding company and has thus embarked on a new course in our banking history. We look forward with confidence to this flexible new vehicle as one which will enable us to offer our joint services to far more customers than heretofore.

We are growing increasingly apprehensive over the proliferation in formations of proposed new registered bank holding companies in Colorado. Including our own, there are now five such companies in operation. Three more are in the application stage, one of which, if granted, will consist of thirteen banks. The structure of banking in Colorado, therefore, has veered sharply in the direction of holding company domination of the industry, and one cannot help but have a sense of foreboding that the Federal Reserve Board of Governors may at some point abruptly call a halt to this onrush by denying any new formations or further acquisitions. We are grateful for the cooperation of our stockholders and, as always, sincerely desire their continued efforts to direct new business to any of the units of the holding company.

Sincerely,

Chairman of the Board

President



cates of Deposit, on which the maximum rate is limited to 6.25%, and will accelerate the already obvious disintermediation which has been going on for some time. This simply means that short term money, which seeks the highest return available, can now obtain more in the general money markets than it can command at banks, and bank deposits as represented by these CDs will therefore decline, adding severe additional pressure to the scarcity of lendable funds.

There is a worldwide shortage of capital for expansion purposes. This is due in part to the tremendous population increases of the past two decades, and in part to the greatest technological advances in human history. The result is an inordinate demand for a limited supply of money, and interest rates are, therefore, almost certain to remain very high. They may even go to higher levels than seen thus far.

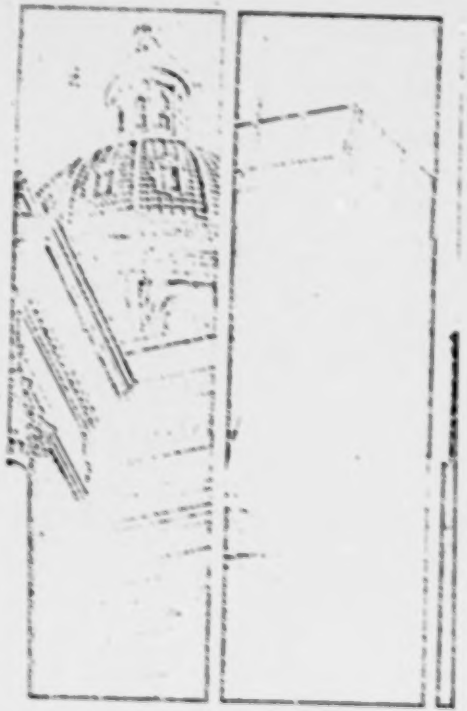
Excessive pressure for office space was a serious problem throughout the year. Many tenants desire more room than they now have, and the Bank itself is occupying substantial floor space in other downtown buildings for bookkeeping and accounting functions.

A Space Committee of [illegible] and Directors has been [illegible] present facilities for [illegible] months and it is [illegible] that very soon a solu[illegible] be recommended to the [illegible] of Directors. It is obvious, [illegible] ever, that, if new space [illegible] constructed in our own [illegible] or elsewhere, a consid[illegible] amount of time will be [illegible] sary to accomplish it.

The mortgage on the [illegible] building, held by the Equ[illegible] Life Assurance Society [illegible] United States, had an [illegible] balance on December 31, [illegible] of $5,233,237, approxi[illegible] $417,000 less than at the [illegible] 1987.

The former Sky Deck on [illegible] the building has been [illegible] pletely rebuilt for occupa[illegible] Lehman Brothers, who [illegible] opened their new office[illegible] have thus provided the bu[illegible] with a top quality new [illegible]

Net earnings from operat[illegible] The International Realty [illegible] pany, owner of the Bank's [illegible] building, were $53,510 aft[illegible] preciation, interest and [illegible] This compares with a [illegible] $124,078 in 1987. The diffe[illegible] in earnings is almost ent[illegible] accounted for by extra[illegible] caulking of the exterior [illegible] the building done in 198[illegible] cost of approximately $50,[illegible]



	1968	1967	Change
Net Operating Earnings After Taxes	$ 4,645,967.00	$ 4,152,574.00	+ 11.9%
Per Share (Based on 500,000 Shares)	$ 9.29	$ 8.31	+ 11.9%
Cash Dividend	$ 1,715,000.00	$ 1,400,000.00	+ 22.5%
Cash Dividends Per Share ($20.00 Par Value)	$ 3.43	$ 2.80	+ 22.5%
Book Value (Based on 500,000 Shares)	$ 82.88	$ 77.67	+ 6.7%
Total Assets at Year End	$625,750,513.00	$559,705,680.00	+ 11.8%
Deposits at Year End	$590,248,825.00	$529,399,707.00	+ 8.0%
Average Deposits	$497,226,397.00	$455,962,747.00	+ 9.1%
Loans at Year End (Net)	$332,708,778.00	$289,284,622.00	+ 15.0%
Average Loans	$301,210,116.00	$270,535,677.00	+ 11.3%
Number of Loans	25,665	23,828	+ 7.7%
Total Capital Funds at Year End	$ 41,439,298.00	$ 38,839,099.00	+ 6.7%
Addition to Capital Funds — Per Share (Based on 500,000 Shares)	$ 5.20	$ 4.80	+ 8.3%
Number of Banking Offices	1	1	

(All figures are as of December 31, 1968, or averages for the year 1968.)

The Bank's holdings of obligations of the United States Government were $97,037,103 (book value) compared to $80,387,500 at the end of 1967. These investments have an average maturity of 460 days and a yield at year-end of 5.42% (pre-tax yield). Average yield during 1968 was 5.35% (pre-tax yield).

Municipal bonds owned by the Bank were $41,417,073, approximately the same amount as at the end of 1967. As of the year-end these bonds had an average maturity of 4.44 years and an average tax exempt yield at cost of 4.01%.

Cash in the Bank's vaults, due from the Federal Reserve Bank and sixty of the nation's major banks aggregated $157,768,234, equivalent to 47% of demand deposits and 28% of total deposits.

Net deposits of the Bank were $530,248,825. This represents an increase of $40,853,118, or 8%, over the total at the end of 1967. Average deposits are more meaningful than any one-day figure, and below is a chart showing the average net deposits for the past ten years.

1968	$437,251,030
1967	[illegible]
1966	[illegible]
1965	[illegible]
1964	[illegible]
1963	[illegible]
1962	[illegible]
1961	[illegible]
1960	[illegible]
1959	[illegible]

The increase in 1968 over 1967, as shown above, ran fairly consistently throughout the entire year and was not the result of any special upturn in any one or more months.

The major categories of deposits at year-end and the change from the previous year-end are as follows:

	12/31/68	Increase (Decrease)
Demand Deposits of Individuals and Corporations	$248,640,900	$20,261,750
Time and Savings	219,614,342	5,507,050
U.S. Government	14,987,104	1,937,981
Other Public Funds	5,606,310	(1,314,322)
Correspondent Banks	41,395,155	14,660,670
Total	$530,248,825	$40,853,118

Please turn to Page 18 for a ten-year review of the Bank's statistics in all major categories.

Net consolidated operating earnings after taxes were $4,645,087, an increase of $493,413, or 11.9%. Per share earnings in 1968 were $8.20 versus $8.31 in 1967.

Gross income was $33,082,583, 23% higher than 1967. Gross expenses amounted to $24,889,346, 22% greater than for 1967. Net operating earnings before income taxes were $8,773,037, an increase of $1,780,005 for the year, or 25%. Income taxes applicable to operating earnings, however, were $1,286,502 greater than in 1967 and this, of course, was a strong deterrent to the increase in net operating earnings after taxes.

The total interest paid on time deposits of all types was $10,122,960, nearly $1,500,000 more than the amount paid in 1967. This expense item continues to be by far the highest single cost of the Bank. The average rate of interest paid on time and savings deposits was 4.75%, compared with 4.43% in 1967.

In the early days of 1969 the demand for loans in the great money centers of the nation continued without abatement and the New York Prime Rate was again raised on January 7 to a new historical high of 7%. This high rate will intensify the pressure on corporate Certificates of Deposit, on which the maximum rate is limited to 6.25%, and will accelerate the already obvious disintermediation which has been going on for some time. This simply means that short term money, which seeks the highest return available, can now obtain more in the general money markets than it can command at banks, and bank deposits as represented by these CDs will therefore decline, adding severe additional pressure to the scarcity of lendable funds.

There is a worldwide shortage of capital for expansion purposes. This is due in part to the tremendous population increases of the past two decades, and in part to the greatest technological advances in human history. The result is an inordinate demand for a limited supply of money, and interest rates are, therefore, almost certain to remain very high. They may even go to higher levels than seen thus far.

Excessive pressure for office space was a serious problem throughout the year. Many tenants desire more room than they now have, and the Bank itself is occupying substantial floor space in other downtown buildings for bookkeeping and accounting functions.

A Space Committee of Officers and Directors has been studying present facilities for several months and it is anticipated that very soon a solution will be recommended to the Board of Directors. It is obvious, however, that, if new space is to be constructed in our own block or elsewhere, a considerable amount of time will be necessary to accomplish it.

The mortgage on the 38-story building, held by the Equitable Life Assurance Society of the United States, had an unpaid balance on December 31, 1968, of $5,233,257, approximately $417,000 less than at the end of 1967.

The former Sky Deck on top of the building has been completely rebuilt for occupancy by Lehman Brothers, who have opened their new offices and have thus provided the building with a top quality new tenant.

Net earnings from operation of The International Realty Company, owner of the Bank's tower building, were $83,918 after depreciation, interest and taxes. This compares with a net of $124,008 in 1967. The difference in earnings is almost entirely accounted for by extensive caulking of the exterior skin of the building done in 1968 at a cost of approximately $50,000.

Net loans were $332,708,778, an increase for the year of $43,423,990, or approximately 13%.

The net figure mentioned above is after deduction of the loan reserve of $3,552,294.

Throughout 1968 the Bank experienced a consistent demand for loans of all types and, unlike most recent years, the average loan figure increased moderately in ten out of twelve months, culminating in a new high average of $333,152,000 in December.

Loans for the year averaged $305,671,000, compared to $274,053,000 in 1967. The average rate of interest on these loans was 6.83%, compared to 6.21% in 1967.

	1968	1967
Loans for Commercial, Industrial or Individual Purposes	$167,925,217	$142,853,816
Real Estate Loans, Construction Financing, Builders, Mortgage Brokers, etc.	79,865,041	68,233,971
Loans Originating from Correspondent Banks, All Types	66,062,643	64,043,365
Consumer Credit (Personal, Instalment)	22,408,171	17,617,369
Total Loans	$336,261,072	$292,748,521
Loan Reserve	3,552,294	3,463,699
Net Loans	$332,708,778	$289,284,822

The Instalment Loan Department increased its total outstanding loans by about $4,800,000 during the year to a total of $22,408,171. About two-thirds of this increase was in the Dealer Division which does business exclusively with auto dealers and purchases their instalment notes as well as advancing money on floor plans on new cars.

Beginning in March, a revolving credit service, Revolv-Account, was instituted. This is, in effect, an overdraft lending system with a prearranged credit limit set by the Bank after an application has been filed by the depositor. It has been well received.

It is likely that 1969 will be a difficult year for the Bank's Instalment Loan Department. In the first place, it is too early to predict the effect that recent rate increases may have on the Department. Secondly, by July 1 it will have been determined whether the Bank will be required to operate under the Uniform Consumer Credit Code or the Federal "Truth in Lending" statute. The latter becomes the law of the state on July 1 unless the General Assembly negates it or passes a statute setting up regulations for the State of Colorado.

Both laws are extremely complicated and it is certain that a great deal of confusion will exist for several months after the effective date of one or the other.

The Real Estate Loan Department's total volume of new business during 1968 reached a record high of $181,600,000, an increase of 33% over the $132,600,000 in 1967. The Department continues to be the leader in the region in supplying funds for both construction loans and lines of credit to mortgage banking firms. This year construction loan volume totaled $35,000,000, an increase of 19% over the previous year. Credit extended to mortgage bankers for warehousing loans pending sale to permanent investors rose to $109,000,000, an increase of $16,000,000. Activities in the management of real estate properties held by the Trust Department increased in 1968 from 371 properties to 424 properties with an aggregate value of approximately $33,000,000.

Long term loan originations in 1968 exceeded $38,000,000, which represents an increase of $28,000,000 over the year before. This significant increase is largely attributable to the newly formed Mortgage Banking Division, established in July when the Bank acquired the $260,000,000 mortgage loan servicing portfolio of Mortgage Investments Company. This acquisition resulted in a very material increase in the number of investor relationships and enables the Bank to provide a much wider range in the origination of long term loans and to expand its services to individual and corporate customers.

The Bank also acquired with M.I.C. a highly experienced staff of mortgage loan specialists all of whom now are employed by the Bank.

For many years the Bank has concerned itself with the special housing needs of the community; nursing homes, hospitals, housing for the elderly and more recently, for low-income families. A variety of these projects have been completed through use of various programs administered by the Federal Housing Administration. Much of this involvement has been with non-profit organizations and has included several projects not only in the Denver area but in other cities across the state. The Department fully recognizes the great unfilled housing need in this area and will continue to work with these groups.

During 1968 the Bond Department was restructured so that there are now two major divisions. One bears the responsibility of underwriting and selling municipal bonds as well as managing the Bank's municipal portfolio. The other division is in charge of buying and selling United States Government bonds for the Bank, for correspondents and for individual customers. This division also buys and sells Federal Funds for the Bank and for a large number of correspondent banks in the area. It is also in charge of bookkeeping activities for banks and individuals.

Government bond trading exceeded $3,500,000,000 in 1968. Municipal bond trading exceeded $100,000,000, about 30% greater than in 1967, and earnings of the division more than doubled for the year as a whole.

Transportation facilities into and out of Denver to any area of the world are excellent. Stapleton International Airport is now the nation's eighth busiest.

Colorado manufacturers are continually increasing their export sales and the Bank's International Division is participating in this growth. In 1968 Letters of Credit increased by 60% over 1967, outgoing transfers were up by 74% and Bankers Acceptances by 238%.

The Personnel Department has significantly expanded its training and educational programs through the hiring of a Training Director and the establishment of a Training Division. At present, management development and supervisory training are receiving major emphasis. The Sell First internal program has operated successfully for the past three years and will be continued as a part of the Bank's Training Division.

In cooperation with President Johnson's National Alliance of Businessmen and the Denver Chamber of Commerce, the Bank employed eleven permanent JOBS trainees and seven summer JOBS trainees in June. This program involves hiring and training disadvantaged persons who are unable to meet normal employment standards. Ten permanent employees presently on the staff give testimony to the feasibility of this endeavor. The program will be continued in 1969.

A reserve work force was organized in 1968, consisting mainly of former or retired employees. Members of this group, now totaling about sixty-five persons, are used as a back-up staff to assist in special projects, in temporary peak periods, and shortages in regular personnel due to illness or vacations.

During the year there were several changes in the Board of Directors. P. K. Alexander, Sr. resigned because of ill health. Messrs. John Evans, Sr., W. C. Kurtz and James A. Woods resigned as active Directors in October and were named Honorary Directors at that time. These four men were succeeded by John Evans, Jr., President, Evans Investment Co.; John M. King, Chairman, King Resources Company; Walter J. Predovich, a Pueblo, Colorado, attorney; and Mahlon T. White, Southern Colorado banker.

During 1968 ten staff members retired under the pension plan. The Bank wishes to thank all of these officers and employees for their loyal and efficient services. Their names and years of service are as follows:

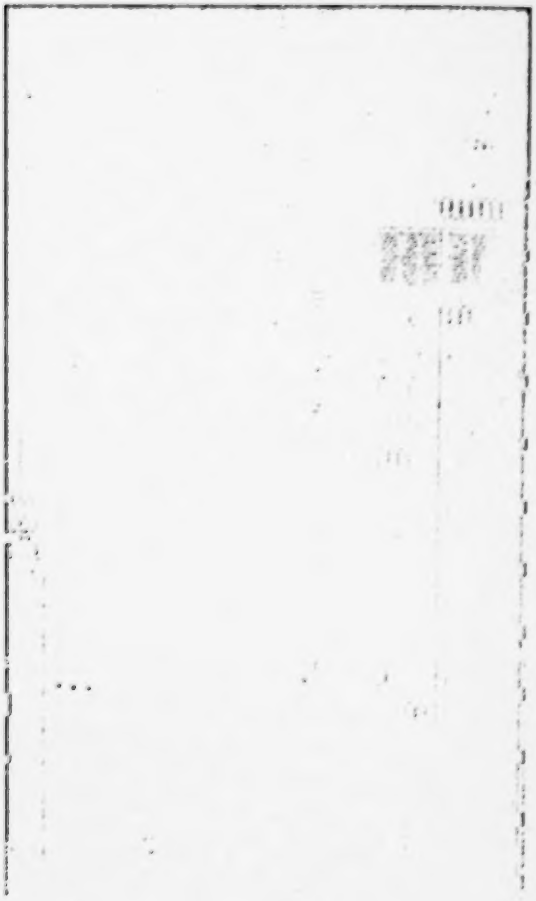
Ardell J. Amolsch	Operations	45
E. T. Bishop Vice President	Instalment Loans	10
Sidney L. Brock, Jr. Sr. Vice President	Commercial Loans	41
Lorena Colemere	Operations	21
Justin P. Courtney Vice President	Instalment Loans	49
Clayton G. Daley	Operations	40
Robert H. (Spike) Denney	Auditing	42
Richard F. Mitchell Vice President	Bus. Development	40
E. C. Pratt	Operations	40
Vera V. Taylor	Trust Operations	11

The Trust Department continued its record of significant progress during the year. Total revenues were $5,104,779, an increase of $957,161, or 23%, over the $4,147,618 reported in 1967. As has been the case for the past several years, services to Mutual Fund customers' and to Pension and Profit Sharing Trusts were the major contributors to the increase in fees during the year. Personal Trust and Corporate Trust income also increased at a gratifying rate.

In November, the data processing center leased an IBM 360/50 computer to replace the 360/40 previously used. This new computer, which will be utilized primarily for Mutual Fund data processing, is substantially faster, more versatile and has a greater capacity for data storage than the one which it replaced. This new equipment will enable the Bank to provide more adequately for the increasing needs of mutual fund customers.

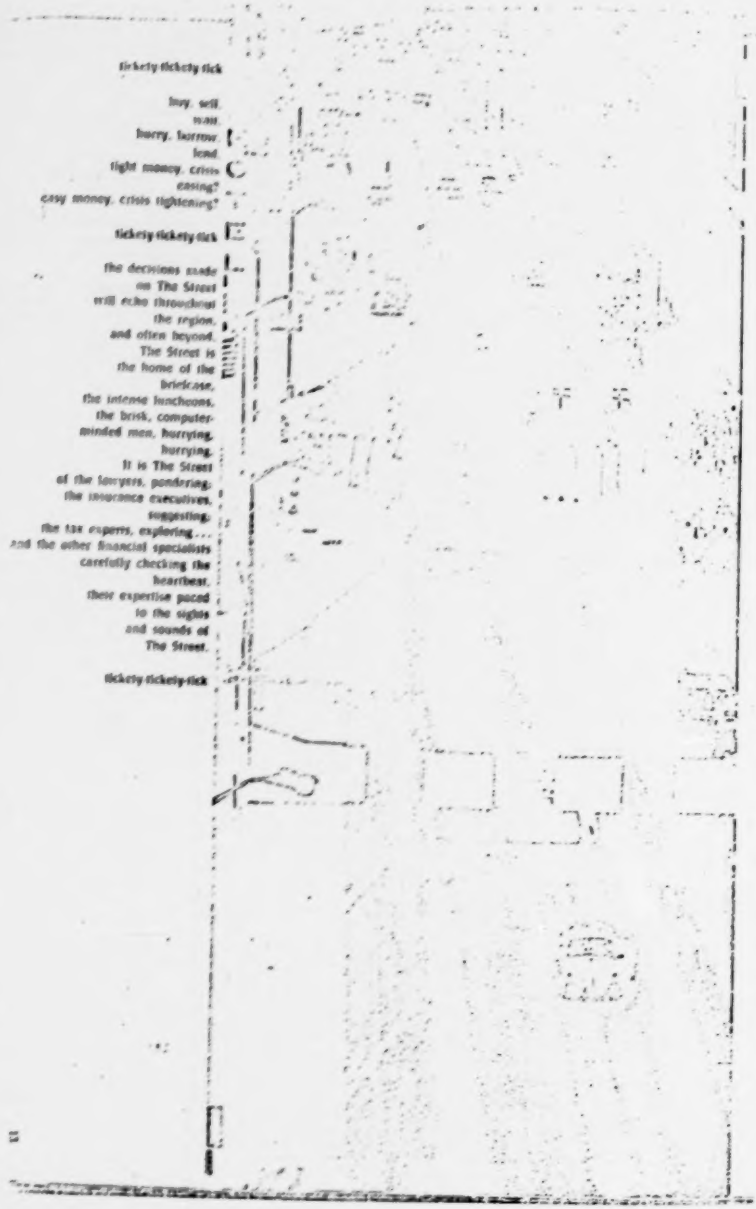
Until recently most information on trust assets and earnings was kept in close confidence by banks operating trust departments. In 1967 the Comptroller of the Currency required that all national banks whose trust fees constitute a significant part of gross earnings must thereafter report them as a separate item in the annual report. Such information thus became public property for the first time in 1967. There is no national compilation of trust department income figures, and some state banks, not affected by the Comptroller's requirements, have not published trust income figures. The First's Trust Department, however, compares very favorably with those of banks comparable in size, in terms of gross revenue, revenue production per officer, and in the relationship of trust department revenue to total bank revenue.

In midsummer the House Banking and Currency Committee released a staff study of certain aspects of the trust business, including data on the value of trust assets held at year-end 1967 as reported to bank regulatory authorities. The First's Trust Department ranked 83rd in the nation in the value of trust assets held, with reported assets of $480,158,000. The report to the Comptroller of the Currency for year-end 1968 will show reportable assets in personal trusts, retirement trusts, and agency accounts of approximately $520,000,000. This figure does not include custody accounts where no investment responsibility is placed upon the Bank, nor does it include Mutual Fund assets of which the Bank is trustee or custodian. These two categories of assets, added to those included in the report to the Comptroller, bring the total asset responsibility of the Trust Department to a figure in excess of $1,630,000,000.



tickety tick city tick

the heartbeat of The Street is the symbolic sound of the stock ticker. (now giving way to dispassionate electronics) mingled with the pulsing rhythm of major financial


tickety tickety tick
buy, sell,
wait,
hurry, borrow,
lend
tight money, crisis
easing?
easy money, crisis tightening?
tickety tickety tick
the decisions made
on The Street
will echo throughout
the region,
and often beyond.
The Street is
the home of the
briefcase,
the intense luncheons,
the brisk, computer-
minded men, hurrying,
hurrying.
It is The Street
of the lawyers, pondering,
the insurance executives,
suggesting,
the tax experts, exploring...
and the other financial specialists
carefully checking the
heartbeat,
their expertise paced
to the sights
and sounds of
The Street.
tickety tickety-tick

The many skilled members of the staff of The First National Bank of Denver, a number of whom are pictured on the immediately preceding pages, are deeply committed to their jobs and to their communities.

In their roles as bankers, they are specialists in a wide range of services covering all of the complex fields of banking. As residents of Metropolitan Denver and Colorado, they find the time and enthusiasm to participate in professional, civic and community, fraternal, social and recreational organizations. Thus, they are major contributors to the broader horizons and concepts of community life. Their community participation includes the following organizations:

Denver Bar Association
Colorado Bar Association
American Bar Association
American Bankers Association
Colorado Business Development Corp
Data Processing Management Association
Systems and Procedures Association
World Trade Club of Denver
Colorado Regional Export Expansion Council
Salvation Army
Colorado 4-H Foundation
Colorado Society for the Prevention of Blindness
Arthritis Foundation
State AAU Swim Committee
Order of Crusades Youth Group
American Institute of Banking
Bank Administration Institute
The Stock Transfer Association
American Society of Corporate Secretaries, Inc.
Denver Board of Realtors
American Institute of Real Estate Appraisers
Aurora Bar Association
Denver Society of Security Analysts
Women's Bond Club
Home Builders Association of Metropolitan Denver
Mortgage Bankers Association of Denver
Mortgage Bankers of America
Washington Committee of Mortgage Bankers Association
American Personnel and Guidance Association
American Society for Training and Development
Administrative Management Society
Bank Public Relations and Marketing Association
Colorado Society of Personnel Administration
Rocky Mountain Association of Credit Management
National Association of Bank Women
Society of Former Special Agents of The Federal Bureau of Investigation
Colorado Association of Commerce and Industry
Colorado Public Expenditure Council
Agribusiness International Trade Council
Sales and Marketing Executives of Denver
Cherry Hills Village Planning Commission
May Bonfils Stanton Foundation
American Institute of Certified Public Accountants
Bond Club of Denver
Robert Morris Associates
Library Commission of the City and County of Denver
City of Aurora Board of Adjustments and Appeals
Denver Symphony Society
Denver Chamber of Commerce
Denver Junior Chamber of Commerce
Junior Achievement
Boy Scouts
Olympic Committee
Red Cross
Community Chest
Colorado Concert Ballet Co.
Mile High United Way
Children's Hospital Advisory Committee
Denver Art Museum Development Council
Governor's Commission on Status of Women
Silver Spruce Cottage Association
Boulder Canyon Civic Association
Colorado Commission on Aging
Family and Children's Service Agency of Colorado
Metropolitan Committee on Aging
Clover Water District
Denver Opportunity
National Foundation for the March of Dimes
Royal Order Rocky Mountain Goats
Consumer Credit Counseling Service
Sewall Rehabilitation Center
Milo Hi Council of the Girl Scouts of America
Cub Scouts
Denver Civil Defense Advisory Council
Planned Parenthood
Downtown Business and Professional Women
Lakeridge Association
Greenwood Village Government
Metropolitan Council for Community Service
Emily Griffith House for Boys
Boys' Clubs of Denver
Trust Unlimited
Westerners
Colorado Historical Society
Museum of Natural History
Craig Rehabilitation Center
South Side Community Center
Hampden Heights Civic Association
Archdiocesan Housing Committee, Inc.
Central Y.M.C.A.
Downtown Denver Improvement Association
Central City Opera House Association
American Humane Association
Denver Committee on Human Relations and Full Employment
Y.M.C.A. Indian Guides
Sertoma Club
Arvada Mayor's 42 Man Committee
Auraria Community Center
Big Brothers, Inc.
Civitan
Mercy Hospital Advisory Committee
Hope Center for Retarded
Bear Valley Lions Club
Knights of Columbus
El Jebel Shrine
George Washington Lodge #141
South Denver Optimist Club
Optimist International
Kiwanis Club of Denver
Kiwanis Club of Southwest Denver
American Legion
Arapahoe Lodge #130 AF & AM
Rotary Club of Denver
Park Hill Lodge #148 AF & AM
Westminster Elks, B.P.O.E. 2227
Arapahoe Kiwanis
Masons
Lakewood Elks Lodge #1777
Wheatridge Optimist Club
Denver Town Club
Arvada Elks Lodge
Denver Lions Club
Jr. Club
National Jaycee Association
Denver Athletic Club
Jefferson County and Fort Club
Intermountain General Hospital Golf Association
Denver Club
Denver Country Club
Rocky Mountain Princeton Club
Colorado Harvard Business School Club
Cherry Hills Country Club
Valley Country Club
Arapahoe Tennis Club
Timberline Toastmasters
Columbine Country Club
Falcon Quarterback Club
Lakewood Country Club
Los Verdes Golf Club
National Ski Patrol
Corral Creek Rod and Gun Club

In addition to civic and professional endeavors, participation in churchgoing and church matters is a principal involvement of a great number of staff members of The First.

As a measure of the importance of this Department and its services to its correspondents throughout the Mountain States, it is significant that for the year 1968 correspondent bank deposits averaged $53,425,000, while loans related to these balances averaged $61,445,000. Livestock loans, on which the Bank is the largest lender in the entire area, averaged $25,284,000 which constitutes loans on almost 50% of all feeder cattle in Colorado.

Seventy-seven banks are using one or more of the Bank's computer services, which now include ten different functions. Twenty-eight are using the computers for demand and savings deposit accounting, seventeen for Time Certificate records, and twenty-four for installment loans. Sixteen banks are using five or more of the separate programs offered.

No segment of the nation's population has been so hard hit by today's record-high interest rate structure as have the farmers. Farm income in the past decade has not kept pace with the growth in the rest of the economy, and costs of all kinds, including those of agricultural loans, constantly increase. The small farm unit is becoming increasingly less economic and is approaching a zero return on the capital investment needed to operate. Farm machinery and equipment costs have increased to about ten times the cost thirty years ago. An added problem is that many rural area banks do not have the lending power to finance this equipment and are more and more dependent upon their large city correspondents to carry the overflow of loans. It appears obvious that a thorough reappraisal of the area's banking structure is long overdue.

As the commercial capital of the Rocky Mountain region, Denver has become the regional headquarters for many important national companies having offices or plants in the metropolitan area. The First National Bank of Denver recognizes the important contribution these companies, through their personnel, payroll and purchases, are making to the continued growth and prosperity of Denver and the surrounding area.

Such nationally known companies as Eastman Kodak, Monsanto Chemical Co., Burroughs Corporation, Grover Division of Powers Regulator Company, Ryerson Steel, John Deere Industrial Equipment Company, United Buckingham Freight Lines, Roberts Dairy, Gulf Mineral Resources Co., and many others have shown confidence in the future growth of the region.

The Business Development Department serves a great many of these national firms and is constantly seeking new means to broaden services and attract new industry to the state, the community, and the Bank.

The First National Banks of Bear Valley, North Glenn, and Southglenn, which were formerly legal affiliates of The First National Bank of Denver through common ownership, became on October 18, 1968 subsidiary units of the new registered bank holding company, The First National Bancorporation. The pertinent statistics regarding these three former affiliates will be incorporated in the annual report of Bancorporation. As in the past, however, no figures of any of these former affiliates are included with those of The First National Bank of Denver shown in this report.

YEAR END TOTALS:
(in thousands)

	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959
Deposits:										
Demand	$330,634	$295,288	$256,489	$252,360	$241,795	$251,583	$268,267	$257,140	$247,081	$232,223
Savings	98,883	109,939	102,212	131,862	120,992	104,292	88,044	73,386	64,099	60,769
Other Time	120,732	104,168	82,477	43,002	41,543	18,604	20,372	16,666	7,700	6,185
Total	550,249	509,395	441,178	427,224	404,330	374,479	376,683	347,192	318,880	299,177
Capital Funds	41,439	38,839	36,392	34,572	33,284	32,020	30,999	30,043	29,140	27,810
Loans — Net	332,709	289,285	265,846	263,359	224,068	220,643	199,300	173,088	171,802	170,484
U.S. Government Obligations	67,037	60,567	44,179	49,973	73,706	58,463	74,927	91,700	69,721	57,203
Average Life to Maturity	460 days	227 days	218 days	148 days	131 days	95 days	62 days	129 days	141 days	135 days
Municipal Bonds	41,417	42,084	40,429	31,409	16,276	10,682	10,451	1,115	—	219
Average Life to Maturity	4.44 years	3.11 years	3.18 years	2.86 years	2.67 years	3.14 years	3.23 years	4.82 years	— years	1.26 years
AVERAGE YIELD										
Loans	6.65%	6.21%	5.90%	5.40%	5.41%	5.41%	5.43%	5.42%	5.52%	5.07%
Securities	6.48	5.67	5.73	4.07	3.56	3.60	3.33	2.84	3.78	3.31
All Loans and Securities	6.61	6.08	5.86	5.00	4.85	4.91	4.76	4.65	5.11	4.49
FINANCIAL RESULTS										
Net Operating Earnings Before Income Taxes — Per Share	$17.55	$13.99	$12.17	$ 8.63	$ 9.09	$ 8.78	$ 9.10	$ 9.16	$ 9.97	$ 7.59
Net Operating Earnings After Income Taxes — Per Share	9.29	8.31	7.18	5.25	4.78	4.38	4.38	4.29	4.57	3.47
Net Operating Earnings After Taxes as a Percent of Capital Funds at Year End	11.21%	10.69%	9.86%	7.59%	7.18%	6.84%	7.06%	7.14%	7.84%	6.24%
CASH DIVIDENDS — Per Share	$ 3.43	$ 2.80	$ 2.80	$ 2.34	$ 2.27	$ 2.16	$ 1.95	$ 1.95	$ 1.95	$ 1.80
BOOK VALUE — Per Share	$82.88	$77.67	$72.78	$69.14	$66.56	$64.02	$61.99	$60.08	$58.28	$55.62

Per share amounts are based on the 500,000 shares outstanding December 31, 1968.
No shares were issued during the ten years other than as stock dividends or stock splits.
Income wholly or partially exempt from income taxes is included in Average Yields at rates comparable to fully taxable income.

December 31, 1968 and 1967

	1968	1967
RESOURCES		
Cash and Due from Banks	$157,768,234	$143,454,(
U. S. Government Obligations	61,037,105	58,567,(
Obligations of States and Political Subdivisions	41,417,073	42,084,(
Obligations of Federal Agencies	6,000,000	2,000,(
Other Securities	921,573	920,(
Federal Funds Sold	1,400,000	2,150,(
*Loans	332,708,778	289,284,(
Bank Premises and Equipment	15,059,918	15,456,(
Customers' Acceptance Liability	261,237	90,(
Income Earned, Uncollected	4,708,435	4,341,(
Other Assets	4,468,160	1,355,(
Total Resources	$625,750,513	$559,705,(
*After Deduction of Loan Reserve	$ 3,552,294	$ 3,463,(
LIABILITIES		
Deposits:		
(a) Demand	$330,634,483	$295,288,(
(b) Time	219,614,342	214,107,(
Total	550,248,825	509,395,(
Federal Funds Purchased and Securities Sold Under Agreement to Repurchase	21,614,607	-0-
Mortgages Payable	4,935,028	5,808,(
Acceptances Outstanding	261,237	90,(
Income Collected, Unearned	1,614,838	1,517,(
Other Liabilities	5,636,680	4,053,(
Total Liabilities	$584,311,215	$520,866,(
CAPITAL ACCOUNTS		
Equity Capital:		
Common Stock:		
500,000 Shares Authorized and Outstanding, Total Par Value	$ 10,000,000	$ 10,000,(
Surplus	20,000,000	20,000,(
Undivided Profits	11,439,298	8,839,(
Total Capital Accounts	$ 41,439,298	$ 38,839,(
Total Liabilities and Capital	**$625,750,513**	$558,705,(

December 31, 1968 and 1967

RESOURCES	1968	1967
Cash and Due from Banks	$157,768,234	$143,454,618
U. S. Government Obligations	61,037,105	58,567,338
Obligations of States and Political Subdivisions	41,417,073	42,084,102
Obligations of Federal Agencies	6,000,000	2,000,000
Other Securities	921,573	920,000
Federal Funds Sold	1,400,000	2,150,000
*Loans	332,708,778	289,284,822
Bank Premises and Equipment	15,059,518	15,456,957
Customers' Acceptance Liability	261,237	90,983
Income Earned, Uncollected	4,708,435	4,341,163
Other Assets	4,468,160	1,395,697
Total Resources	$625,750,513	$559,705,680
*After Deduction of Loan Reserve	$ 3,552,294	$ 3,463,699
LIABILITIES		
Deposits:		
(a) Demand	$330,634,483	$295,288,415
(b) Time	219,614,342	214,107,292
Total	550,248,825	509,395,707
Federal Funds Purchased and Securities Sold Under Agreement to Repurchase	21,614,607	-0-
Mortgages Payable	4,935,028	5,803,852
Acceptances Outstanding	261,237	90,983
Income Collected, Unearned	1,614,838	1,517,325
Other Liabilities	5,636,680	4,053,714
Total Liabilities	$584,311,215	$520,866,581
CAPITAL ACCOUNTS		
Equity Capital:		
Common Stock: 500,000 Shares Authorized and Outstanding, Total Par Value	$ 10,000,000	$ 10,000,000
Surplus	20,000,000	20,000,000
Undivided Profits	11,439,298	8,839,099
Total Capital Accounts	$ 41,439,298	$ 39,839,099
Total Liabilities and Capital	$625,750,513	$559,705,680

For the Years Ended December 31, 1968 and 1967

OPERATING INCOME:	1968	1967
Interest and Fees on Loans	$20,912,503	$17,204,522
Interest and Dividends on:		
U. S. Government Obligations	2,842,052	2,465,723
Obligations of States and Political Subdivisions	1,491,168	1,325,226
Service Charges on Deposit Accounts	857,445	829,146
Trust Department	5,104,779	4,147,618
Other	2,454,636	1,423,418
Total	33,662,583	27,395,653
OPERATING EXPENSES:		
Salaries and Bonuses	7,188,115	6,262,810
Pensions, Profit Sharing, and Other Employee Benefits	852,713	1,085,050
Interest on Deposits	10,122,590	8,662,381
Interest on Borrowed Money	301,709	313,152
Net Occupancy — Bank Premises	841,861	760,507
Equipment Rentals, Depreciation, Maintenance	1,568,645	1,418,419
Other	4,013,543	1,900,292
Total	24,889,546	20,402,621
OPERATING EARNINGS BEFORE INCOME TAX	8,773,037	6,993,032
INCOME TAXES APPLICABLE TO OPERATING EARNINGS	4,127,050	2,840,458
NET OPERATING EARNINGS	4,645,987	4,152,574
Per Share (500,000 Shares)	$9.29	$8.31
NON-OPERATING ADDITIONS — NET AFTER TAX EFFECT: (All Sundry Other Items)	38,825	12,940
NON-OPERATING DEDUCTIONS — NET AFTER TAX EFFECT:		
Net Security Losses	83,430	2,423
Transfer to Reserve for Loan Losses	266,208	293,260
Other	19,975	22,987
Total Non-operating Deductions	369,613	318,650
NET NON-OPERATING ADDITIONS (DEDUCTIONS)	(330,788)	(305,750)
TRANSFERRED TO UNDIVIDED PROFITS	$ 4,315,199	$ 3,846,824
PER SHARE (500,000 Shares)	$8.63	$7.69

For the Years Ended December 31, 1968 and 1967

	1968	1967
BALANCE, BEGINNING OF YEAR	$38,839,099	$36,362,275
Additions — Transferred from Statement of Earnings	4,315,199	3,846,824
Deductions — Cash Dividends Declared (per Share*: 1968, $3.43; 1967, $2.80)	(1,715,000)	(1,400,000)
BALANCE, END OF YEAR	$41,439,298	$38,839,099

*500,000 Shares Outstanding

CONSOLIDATED RECONCILEMENT OF VALUATION AND CONTINGENCY RESERVES

For the Years Ended December 31, 1968 and 1967

	Valuation Reserve for Loan Losses Pursuant to Internal Revenue Service Ratings	
	1968	1967
BALANCE, BEGINNING OF YEAR	$ 3,463,699	$ 2,927,058
Recoveries Credited to this Reserve	169,222	84,375
Transfers to this Reserve	600,000	600,000
Total	4,232,921	3,611,433
Losses Charged to this Reserve	680,627	147,734
BALANCE, END OF YEAR	$ 3,562,294	$ 3,463,699

NOTE — No other valuation and contingency reserves are maintained.

1968	1964	1963	1962	1961	1960	1957
$252,360	$241,795	$251,583	$269,267	$257,140	$247,081	$232,[illegible]
131,862	120,992	104,292	88,044	73,386	64,059	62,[illegible]
43,002	41,543	18,604	20,372	16,666	7,700	6,[illegible]
427,224	404,330	374,479	276,683	347,192	318,880	2[illegible]
34,572	33,284	32,020	30,999	30,043	29,140	27,[illegible]
263,359	224,068	220,643	199,300	173,068	171,602	170,[illegible]
49,973	73,706	58,463	74,927	91,700	68,721	57,[illegible]
148	131	95	62	129	141	[illegible]
days	days	days	days	days	days	[illegible]
31,409	16,276	10,682	10,451	1,115	—	[illegible]
2.86	2.67	3.14	3.33	4.82	—	[illegible]
years	years	years	years	years	years	[illegible]
5.42%	5.41%	5.41%	5.43%	5.42%	5.52%	[illegible]
4.07	3.56	3.60	3.33	2.94	3.78	3.[illegible]
5.00	4.85	4.91	4.76	4.65	5.11	4.[illegible]
$ 8.63	$ 9.09	$ 8.78	$ 9.10	$ 9.16	$ 9.97	$ 7.[illegible]
5.25	4.78	4.38	4.38	4.29	4.57	3.[illegible]
7.59%	7.18%	6.84%	7.06%	7.14%	7.8[illegible]%	6.2[illegible]
$ 2.34	$ 2.27	$ 2.16	$ 1.95	$ 1.95	$ 1.95	$ 1.[illegible]
$69.14	$66.56	$64.02	$61.99	$60.08	$58.26	$[illegible]

[illegible] splits.
[illegible] at rates comparable to fully taxable income.

POOR COPY

What is Denver? Ask the historian and you'll be told that it is a metropolis which has grown from a small settlement which took shape at the confluence of Cherry Creek and the Platte in 1858.

Those who flee from the storied canyons of the bigger cities will tell you Denver is the relatively quiet refuge from pressures and formality.

But the longtime residents may tell you it's a place which has grown too rapidly and has destroyed the pastoral quiet of a Sunday afternoon. They well remember when you could drive down 16th Street any day of the week in relative privacy and not be jolted by the honking cacophony of a traffic jam.

Do they resent the growth? "It's too big," they grumble, but they're not very successful at hiding the gleam of pride over how their little municipal gal has grown up and is being courted, cajoled and catered to by cities less fortunate or more greedy.

Denver, the innovator, has given birth to the nation's first Opportunity School concept (fashioned basically by the late Miss Emily Griffith), the Civic Center concept (promoted into practicality by the late Mayor Robert W. Speer), the every-body-stop-while-we-walk boon to pedestrians, (inaugurated by the late Henry A. Barnes who had the old-fashioned idea that computers and traffic lights were meant to serve people and went on to prove it — later in Baltimore and New York). And there are so many more who added their "firsts" and delighted in the contributions of others.

Denver is a city which may take a dim view of its professional sports teams — privately —but woe be unto that metropolis which seeks to lure away a franchise. The actual and projected upward surges of the Denver Broncos, Rockets, Bears and Spurs bring quiet smiles of private approval to the faces of the citizenry.

Denver is the hub of an exciting region, a metropolitan area which artists, actors, writers and those who seek change for change's sake alternately may find warmly approving and bitterly critical.

In the older neighborhoods are fast-vanishing traces of an older ethnic grouping, the fabled sauerkraut, mamarella and lasagna

at the North Side, the sage and bland smiles of the once-prevalent Chinese tongs, the pungent gastronomic lures of the West Side's gefulte fish and matzo ball soup, the myriad seasonings of other nationalities and other cultures somehow smoothed and blurred by the magic of metropolitan oneness.

And just as there is strength and logic in oneness, so there is nostalgia and memorabilia lingering from that which is past.

Denver, contrary to the claims of others, is the home of the first ice cream soda, courtesy Mr. Otto Baur. It nearly blew its municipal brains out in a governor-city administration clash in 1894 when state militia prepared to rout a sharpshooting conglomerate of Denver's finest and the cream of the criminal crop (brought into hasty and non-recurring alliance to ward off the evil spirits of the Statehouse).

To the credit of all, nary a shot was fired and everybody retired peacefully to fulminate only via the news columns of the city's then quite extensive range of daily newspapers.

Denver is a city which had none of the natural advantages except beauty and serenity of spirit. Much of its water is brought from the Western Slope via a complex and ever-expanding system of reservoirs, dams, rivers and pipelines. It was not a target community in the westward thrust of the railroads — but it wound up as a rail center. Its airport always is among the top 10 in the nation's busiest. Lacking a pattern of heavy nearby population, Denver created its own atmosphere, its own diversities, its own qualities of accomplishment.

But what of us, say the metropolitan communities? Are we not part and parcel of this growth, this achievement? The answer, although not always politic, is an unqualified "yes." With its adjoining neighbors within easy radius, Denver shares and is in partial debt for its achievements.

Space-age Boulder, the bedroom-and-industry surrounding counties of Adams, Arapahoe and Jefferson — all play an acknowledged and vital part in the total metropolitan growth.

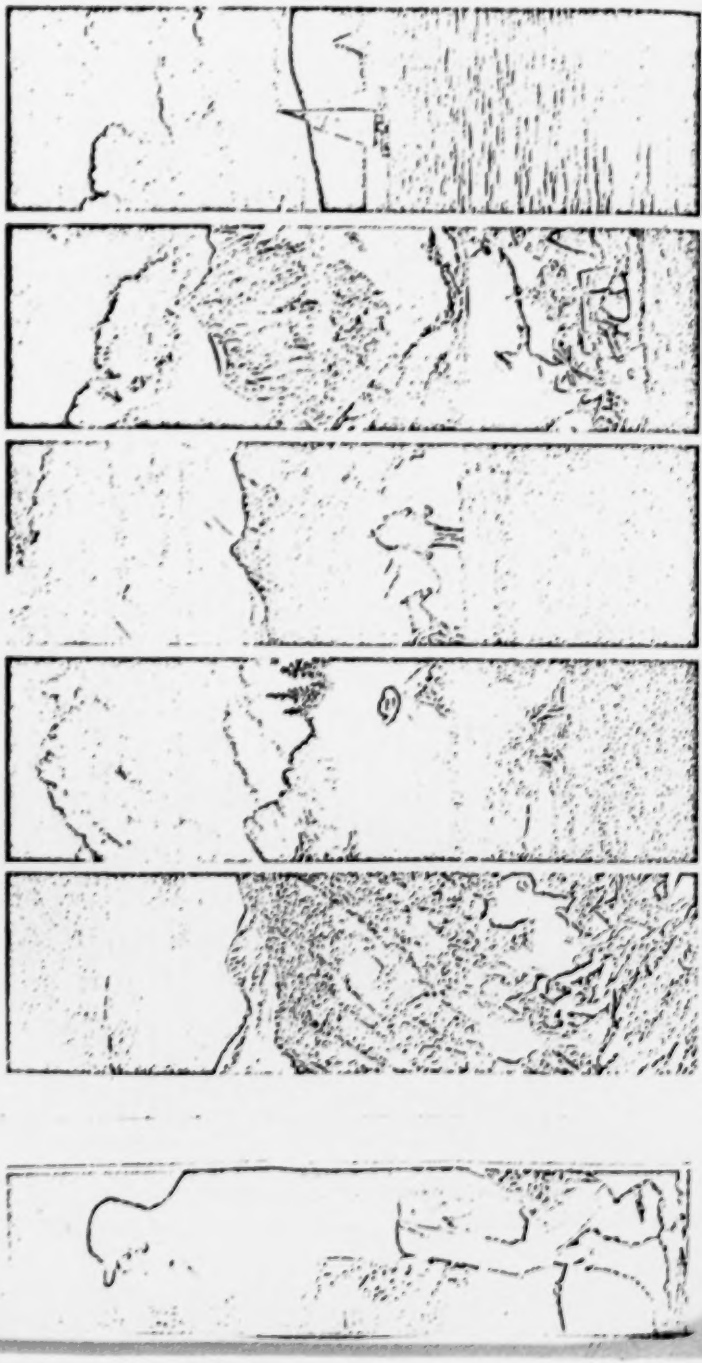
Denver? It's a city of wide streets and huge overhanging trees along the lush parkways of East Sixth, East 17th and Montview, an ever-changing architectural vista of the approaching-old and the on-to-new; a place of miraculous shopping centers and housing developments.

The streetcars used to hum and holler along the thoroughfares but they've been replaced by the quiet of rubber-tired diesel buses. The merchandise of the glittering storefronts is comparable to that of the Neiman-Marcuses, the I. Magnins, the Saks Fifth Avenues and all the other fabled merchant-princes.

Denver's chief commodity? It's the people, melded from a wide variety of interests and drives.

Thirty years ago, you could have walked down any given street with a preponderance of natives. World War II changed all that. Back from the weapon-fire of a global conflagration came the trainees at Lowry and Buckley and Fort Logan. They liked this Denver, their adopted city, and they spread the word wherever they went.

The influx of new blood and new ideas leavened and enhanced the solidity of longtime effectiveness. More and more Americans were motivated to seek the splendid casualness of



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this city named Denver, where you could hunt, ski, fish and relax amid a mountain separateness closer than an Eastern Commuter's suburb.

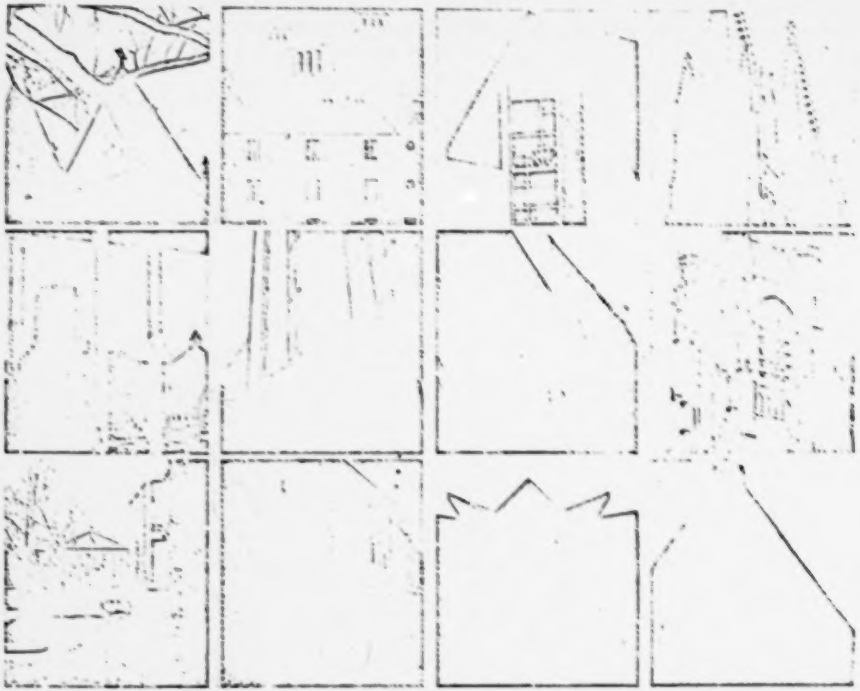
And so the people came. And so the city and the metropolitan area grew, to a point well past the million mark in 1968 — and still on the move.

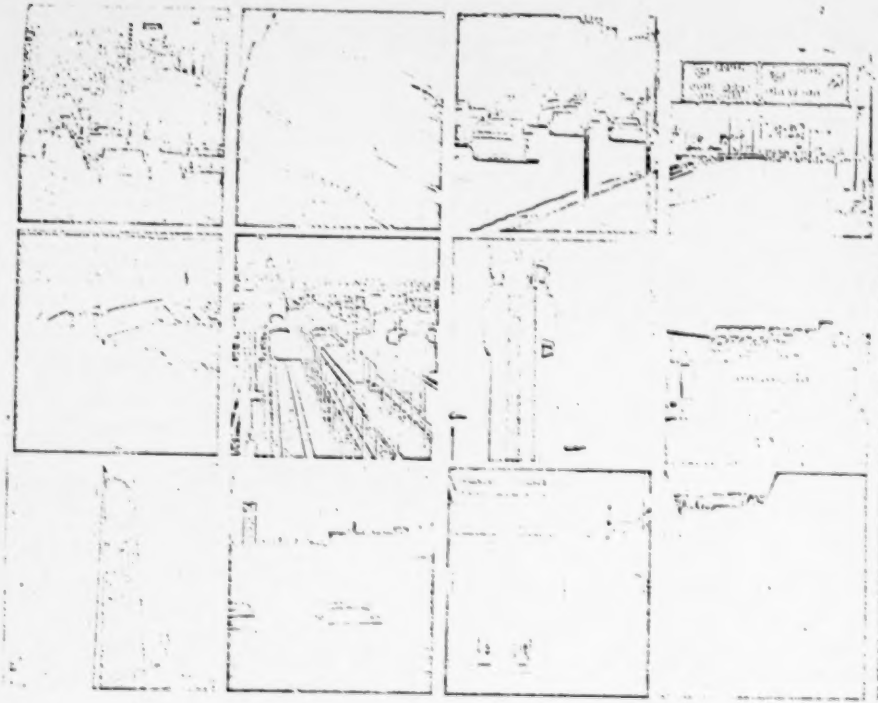
The Denver skyline sprouted and continues to sprout with new structures to house the new business growth. The residential areas burgeon with new architecture to accommodate the surging population.

The tourists come in huge quantity to observe, be enchanted and, oh-so-frequently, to stay. Industry comes because the work force is sizable, the transportation links are excellent, and because the recruitment problems are simplified when employees are asked to go to work in Denver.

Denver is a city of more cars per capita than any place else except Los Angeles, of more federal buildings than any place except Washington, of flowers and, perhaps most important, of gracious living.

Denver? It's a nice place to live in but Denverites wouldn't settle for just visiting.





(Listings are from left to right.)

PAGE 3 – Clem Gruber & Co. G & T [illegible] Streets; [illegible] The First National Bank of Denver, [illegible] and Main Streets; 1865, The First National [illegible] and Stout Streets; 1871, The First National Bank [illegible] ing, 17th and Wynkoop Streets, pictured [illegible]

PAGE 4 – Aerial photo, downtown Denver

PAGE 5, THE FACES PAST – Row 1, William F. Gurley, Rollin Gurley, Graham Fitz-Gerald, Sr., [illegible] C. Phipps, Sr., Lincoln Hughes, proprietor of the [illegible] Row 2, Fred Wilkinson, mechanical [illegible] W. Speer, Mike Leavitt, landscape [illegible] Row 3, [illegible] Jack Gallup, mechanical engineer [illegible] Row 4, Eugene Field, William N. Byers, Elisabeth N. Byers, [illegible] of Denver, Auction Bill Cody

PAGE 6, THE PLACES – State Capitol, Denver Convention Center, [illegible] Denver Botanic Gardens, [illegible] Denver Museum of Natural History, [illegible]

PAGE 7, THE LIVING – Row 1, [illegible] Row 2, [illegible] Row 3, [illegible] Row 4, [illegible] Row 5, [illegible] Row 6, [illegible] Row 7, [illegible] Row 8, [illegible] Row 9, [illegible] Row 10, [illegible] Row 11, [illegible] Row 12, [illegible] Row 13, [illegible] Row

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Assistant Auditors
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JOSEPH V. LIBONATI
JERRE L. WOST
SAMUEL P. WETHERILL III

*On Leave of Absence **Serving in the Armed Forces

The amount which business spends each year for new plant and equipment. It is estimated that each dollar increase in business capital spending produces a rise of almost two dollars in the Gross National Product.

Carrying value of capital stock outstanding; the number of shares multiplied by the par value of each share.

The sum of Capital, Surplus and Undivided Profits.

Debt instruments of a bank having maturities longer than two years issued to obtain additional funds for loaning and investing. Proceeds from the notes are not deposits requiring the maintenance of legal reserves, and the claims of the holders are subordinate to the claims of depositors.

In the United States, The Federal Reserve Bank, with its home office in Washington, D.C. It corresponds approximately to the Bank of England, Bank of France, Bank of Switzerland, etc. Its basic responsibility is control of the supply of currency and credit.

Meaning allied in nature, origin or action, is used to describe banks diversifying into financially related fields via the one-bank holding company.

A term used to describe multi-industry companies which have little or no relationship among their component parts.

Money on deposit in checking accounts subject to withdrawal at any time.

The lowest interest rate which the Federal Reserve banks of the twelve districts charge their member banks for borrowing funds to maintain required reserves.

A massive shift of savings away from financial institutions directly into other money market instruments.

Since the passage of the National Bank Act in 1863, our nation has had two banking systems; one consists of the national banks chartered by the federal government, the other is made up of banks chartered by the state in which they operate. Most states (44) permit banks to have some form of branches. No bank, however, may branch across a state line.

Every national bank and every state member bank of the Federal Reserve System must keep on deposit with the Federal Reserve Bank in its own District a specified percentage of its total deposits. When the amount on deposit is above the legally required reserve, the bank may sell the excess funds to other banks at available interest rates — usually about the same as the Discount Rate. Conversely, if the bank has an insufficient reserve, it must borrow from its Federal Reserve Bank or purchase from another bank the necessary amount to comply with the reserve requirement. These transactions between individual banks are called "Federal Funds Sold" or "Federal Funds Purchased."

Every national bank and every state bank member of the Federal Reserve System must own Federal Reserve Bank stock in the amount of 6% of the member bank's combined Capital and Surplus. Only one-half of the 6%, however, must be subscribed in cash — the other one-half is payable on demand by The Federal Reserve Bank.

Is made up of the sum of the following: business capital expenditures, inventory buying, federal government spending, state and local government spending, housing costs, consumer spending, and foreign trade.

In a national bank this is equal to 10% of the sum of Capital and Surplus. For state banks the amount is set by statute, but in most states it is 15% of Capital and Surplus.

The ratio computed by dividing total loans by total deposits. It is a prime determinant of the availability of bank credit.

(Also sometimes called Bad Debt Reserve)
Internal Revenue Service regulations, revised in 1965, now permit the accumulation of a Reserve for Possible Loan Losses, for most banks, up to a ceiling of 2.4% of eligible loans at year-end.

Ownership, operating and maintenance expenses of all premises owned or occupied by the bank and its subsidiaries, less rental income from tenants.

This normally consists of claims, insurance premiums paid in advance, and miscellaneous assets of small amounts.

Investment securities other than United States Government or Government guaranteed bonds.

Usually called the "New York Prime Rate," this represents the lowest interest rate which New York banks will offer to their borrowers hav... the highest credit rating.

A corporation registered under t... Bank Holding Company Act of 19... which owns or controls 25% ... more of two or more commerc... banks.

The ratio normally arrived a... dividing the sum of cash and g... ernment bonds by total deposits

Money on deposit in personal s... ings accounts owned by individu... or associations. Neither Savings ... Time Deposits can be withdrawn by check.

In established banks, Surplus ... earnings of previous years wh... have been transferred from the U... divided Profits Account to the S... plus Account. Surplus funds can ... utilized only by vote of the Sto... holders of the bank and appro... of the appropriate supervisory au... thority, state or national.

These are funds on deposit, repr... sented by a Certificate of Depo... ordinarily payable to corporat... on a future date and at an agre... interest rate. These Certificates m... also be issued to individuals b... in this case, are usually call... Savings Certificates. In either event, "Time Deposit" denotes a contra... between the bank and the deposi... for a specific period and at a spe... cific rate of interest.

The advertising and public relations program of The First National Bank of Denver again stressed community-oriented events and marketing approaches in 1968.

The First's 1967 Annual Report featured scenes of early-day Denver photographically matched with those same vistas as they appear in today's metropolis.

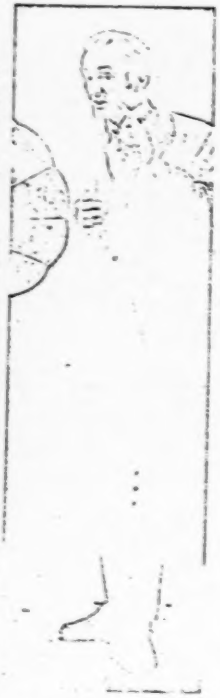
The First again helped sponsor telecasts of the State High School Basketball Tournament, including the championship game.

The Bank's Second Annual Economic Forum, originated by The First's Business Development Department, again drew a large crowd of top Denver business and civic leaders. The forecasts of each speaker, discussing 1969 in terms of his own field, received wide public notice and publicity.

As The First's advertising and public relations year of 1968 drew to a close, arrangements were made for Max Morath, widely-known Colorado-born entertainer to be featured in the Bank's 1969 television commercials.

Morath, a native of Cripple Creek, is a leading authority on "The Ragtime Era" and plans a 1-man show off Broadway during 1969.

These were the highlights of a program which included other comparable innovations in the Bank's advertising and public relations concepts.



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GLOSSARY OF WORDS AND TERMS CUSTOMARILY FOUND IN ANNUAL AND QUARTERLY REPORTS

The amount which business spends each year for new plant and equipment. It is estimated that each dollar increase in business capital spending produces a rise of almost two dollars in the Gross National Product.

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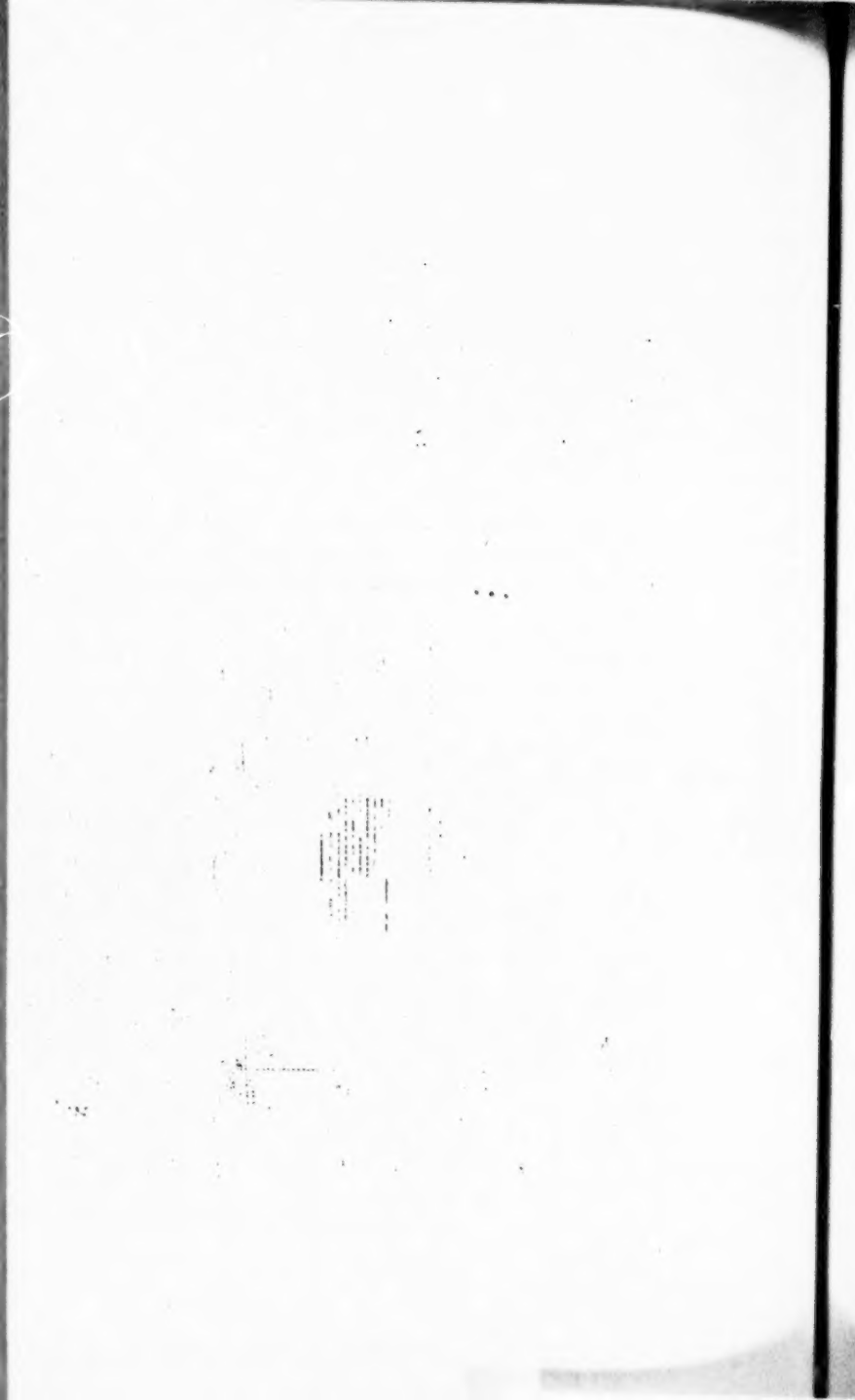

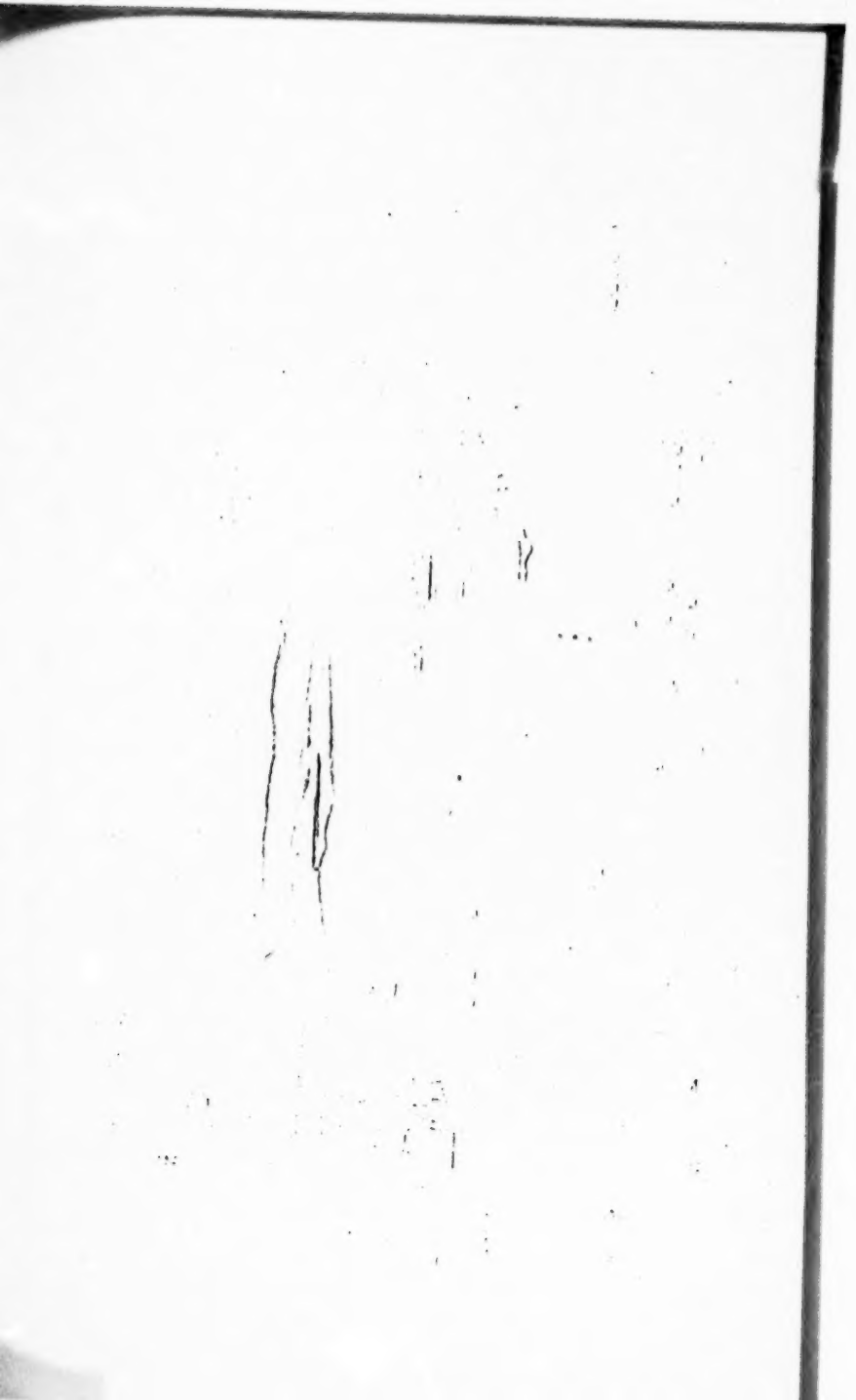

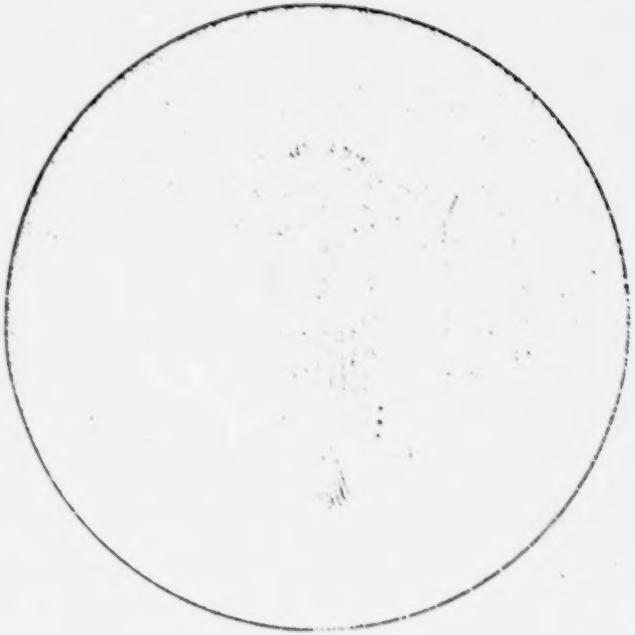

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Special Section
Downtown Denver 1A-24A

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Emery Hossey

Chairman of the Board

W. Adams

President

THE FIRST NATIONAL BANK OF DENVER

CONSOLIDATED HIGHLIGHTS OF 1969

	1969	1968	Change
Net Income	$ 5,261,807.00	$ 4,491,784.00	+ 17.1%
Per Share (Based on 500,000 Shares)	$ 10.52	$ 8.98	+ 17.1%
Cash Dividend	$ 2,060,000.00	$ 1,715,000.00	+ 20.1%
Cash Dividends Per Share ($20.00 Par Value)	$ 4.12	$ 3.43	+ 20.1%
Book Value (Based on 500,000 Shares)	$ 87.24	$ 82.88	+ 5.3%
Total Assets at Year End	$625,744,232.00	$629,302,807.00	- .6%
Deposits at Year End	$507,340,125.00	$550,248,825.03	- 7.8%
Average Deposits	$495,055,525.00	$497,226,397.00	- .4%
Loans at Year End (Gross)	$340,217,458.00	$336,261,072.00	+ 1.2%
Average Loans (Gross)	$331,663,033.00	$304,920,987.00	+ 8.8%
Number of Loans	26,747	25,665	+ 4.2%
Total Capital Funds at Year End	$ 43,622,105.00	$ 41,439,298.00	+ 5.3%
Addition to Capital Funds—Per Share (Based on 500,000 Shares)	$ 4.37	$ 5.20	- 16.0%
Number of Banking Offices	1	1	

TO OUR STOCKHOLDERS:

The years 1966/68 were marked by dramatic and record-setting activity in the banking industry but they now look almost insignificant compared to the hectic pace of 1969. In those earlier years, large banks of the nation, outside of the money centers of New York, Chicago and the West Coast, were not deeply involved in the problems of tight money, loan allocation, reduced liquidity and almost constant borrowing for reserves in the open market. In 1969 they were very deeply involved with these problems. The year was characterized for banking by a poor public "image", and a frustrating inability to compete for the depositor's dollar because of the ceilings imposed by Regulation Q of the Federal Reserve System on the rates banks can pay to savers. The ceilings were invoked in 1966 to stabilize the lendable funds held by commercial banks and thus slow down the severe inflation that began in 1965. What has happened, however, is that industry has gone to the public security markets for its capital expansion funds. Those heavy demands have raised the interest rates on money market instruments – U.S. Government and municipal obligations, corporate bonds and commercial paper – to the highest levels in the recorded history of our nation. As a result, the large banks are witnessing massive disintermediation – withdrawals of cash for investment in the open market.

Indications of reduced activity in our economy are now apparent, and signs of a recession are easily seen. The inflationary pressures, however, of rising prices, tremendous labor cost increases, and a general inflation psychology in the minds of our citizens do not augur well for the chances of any real and early control over our nation's financial problems.

With only one minor exception (1953), deposits of the Bank at year-end have shown constant growth for more than two decades. This past year, however, showed a substantial decline to a year-end total of $507,340,128, compared to $550,248,825 at the end of 1968. Demand deposits increased at year-end to $348,061,309, an increase of $14,423,826 over the total on December 31, 1968. Savings and Time Deposits suffered the attrition (mentioned above) and declined to $162,278,819 from the 1968 year-end figure of $219,614,342. The decline, therefore, was $57,335,526, or 26%.

Average deposits during the year fared somewhat better than the year-end figures; they were $495,056,000 compared to $497,226,000 in 1968.

The decrease in lendable funds has forced us to ration loans strictly and we have declined to make many millions of dollars in loans which, under normal economic and monetary conditions, would have been made.

Gross loans on December 31, 1969, were $340,217,488, compared to $333,261,072 a year earlier. For the year as a whole, they averaged $331,683,033, compared to $304,920,987 in 1968.

Net consolidated operating earnings for 1969 were $5,206,313, versus $4,975,214 in 1968. This is $10.59 per share in 1969, and $9.15 per share in 1968. Final net income for the Bank and its wholly-owned subsidiary, The International Realty Company, after security losses net of taxes, was $5,261,827 in 1969, compared to $4,491,784 in 1968. This is $10.52 per share for 1969, $8.98 per share in 1968.

The Financial Statements in this report follow the new format prescribed by the Comptroller of the Currency in November 1968. Figures for years prior to 1969 have been restated to conform to this new format.

In September, Theodore D. Brown, President of the Security State Bank of Sterling, Colorado, was elected Executive Vice President of the Bank and assumed his new duties on a full-time basis on January 5, 1970. Born in Denver and a graduate of Denver University and Harvard Law School, Mr. Brown brings to the Bank over twenty years of banking experience and a very wide acquaintance in the banking industry through his work as Chairman of the Agricultural Committee of the American Bankers Association.

Unfortunately for the banking industry, too large a percentage of the American public and its elected representatives believe that banks are responsible for inflation and its resultant tight money and high interest rates. Punitive legislation has already been enacted in one branch of Congress and, if it is enacted into law, banking will be hurt seriously.

To combat this, The First National and its parent holding company have joined the industry's new program of education to accomplish three goals: (1) to increase public knowledge of the financial fact that Federal policies, not those of banks, make money easy or tight; (2) to explain the benefits of stabilized prices and level economic growth; (3) to tell our customers about the constructive role of banks in the nation and in our own community.

As a stockholder, you can and should be an effective spokesman for banking in this program. You can help to explain to our customers, and others as well, that tight money and high interest rates exist because Federal authorities are keeping tight brakes on credit expansion until inflation has been brought within tolerable limits.

We hope you will help us in this educational endeavor and will also continue to direct business to us. You can have a rewarding part in the growth of the Bank by urging friends, relatives and business associates to do business with your Bank. We thank you for your efforts in this latter regard in 1969.

Sincerely,

Montgomery Brown

Chairman of the Board

Eugene B. Adams

President

FINANCIAL REVIEW

INVESTMENTS

Holdings of United States Government obligations were down to $31,534,889, compared to $67,037,105 a year earlier. These obligations have an average maturity of 374 days and an average yield at year-end of 6.62% (pre-tax).

Municipal bonds totaled $41,558,234, almost identical to year-end 1968. On December 31, 1969, these bonds had an average maturity of four years and an average tax-exempt yield at cost of 4.19% (tax-exempt).

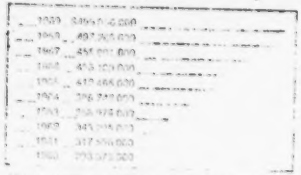
CASH

Cash and due from banks across the nation aggregated $174,798,084, an increase of $17,029,850 from the end of 1968. This cash figure is equivalent to 51% of demand deposits, and 35% of total deposits.

DEPOSITS

Net deposits declined nearly $43,000,000 to a year-end total of $507,340,125 – a drop of 7.7%. Average deposits, which are much more important, increased for the first seven months of 1969, then turned downward in August when the differential in interest rates payable on Savings and Time Deposits became markedly lower than those available in the open market. For the year 1969 average total deposits were $495,055,525, compared to $497,226,397 in 1968. The following chart shows our deposit experience in the past ten years, in averages:

1969	$495,055,000
1968	497,226,000
1967	455,001,000
1966	455,100,000
1965	412,466,000
1964	396,742,000
1963	358,975,000
1962	345,215,000
1961	317,550,000
1960	293,573,000



Main categories of deposits at year-end 1969, and changes from the end of 1968, are as follows:

Demand Deposits of Individuals and Corporations	12/31/69	Increase (Decrease)
	$260,699,148	$ 21,053,241
Time and Savings	162,278,816	(57,335,526)
U.S. Government	5,529,008	(9,456,000)
Other Public Funds	5,845,394	239,075
Correspondent Banks	63,987,764	2,592,609
Total	$507,340,125	$ (42,906,700)

On Page 8 will be found a ten-year review of the Bank's major statistics.

EARNINGS

Net operating earnings (consolidated with those of our wholly-owned subsidiary, The International Realty Company,) were $5,296,316. This is an increase of $721,102, or 13%, over 1968. Per share, net operating earnings were $10.59, versus $9.15 in 1968.

Gross income increased to $41,203,043, up 22% over 1968. Gross expenses were $31,317,356, 25% above those of 1968. Net operating earnings before taxes were, therefore, $9,885,637, an increase of $1,272,165 over 1968 results. Inevitably, income taxes were also markedly increased – to $4,589,371 from $4,038,308 the previous year.

Net consolidated income after losses on securities sold, netted for taxes, was $5,261,807 – $10.52 per share, versus $4,491,784 – $8.98 per share. This is the so-called "bottom-line" figure which is becoming widely accepted as the true index of a bank's performance in any given year.

Total interest paid on Time and Savings Deposits was $3,929,305, a decrease of $1,193,655 over 1968. The average rate of interest paid was 4.78%, compared to 4.75% in 1968. We continue to pay the highest rates permissible under Regulation Q, but the ceiling imposed by this regulation renders banks at a great disadvantage in competing with the general level of money market investments.

Because of the steady demand for loans throughout the years, and the attrition in deposits which characterized most of the second half of 1969, we were forced almost constantly to buy funds in the Federal Funds and Eurodollar markets in order to maintain our reserves at the Federal Reserve Bank at required levels.

up from $620,597 in 1968. Average cost of these borrowings was 7.75% compared to 5.46% in 1968.

The year 1969 was characterized by the highest interest rates in history and by a general increase during the year of about 50%. The Prime Rate opened the year at 6.75%, was raised to 7% in January, to 7.50% in March, and to the current 8.50% in June. It is not likely that it will go any higher. The Federal Reserve System raised the Discount Rate – its own Prime Rate – to 6% in April, but it is so far out of adjustment with market rates in general that it has become much less meaningful than in the past.

U.S. Treasury 90-day Bills, the bellwether investment medium of the world, reached a new high yield of 8.10% in December 1969. The high in 1968 on this issue was 5.97%. The twenty-bond municipal index also reached an historic high of 6.90% on December 18, 1969. Its 1968 peak was 4.85%. Thus we witnessed the paradox of Treasury Bills at an all-time high while high quality tax-exempt municipal bonds were selling at only about 1% lower yield than the Bills. The result, as expected, was a disorderly municipal bond market.

Net earnings from operation of the International Realty Company, owner of the Bank's tower building, were $134,760.48 after depreciation interest and taxes, compared to a net of $83,910.11 in 1968. Inflationary forces required that management increase the square foot rental which, hopefully, will reflect higher net earnings in 1970.

During 1969 the Space Committee of officers and directors continued its research and efforts to solve the present and future space requirements of the Bank and building tenants. The Bank now owns or controls the entire block in which its present quarters are located, as well as 18 lots in the contiguous block to the west fronting on California Street.

The firm of Welton, Becket & Associates of Los Angeles, California, has been retained to begin preliminary plans for development of this entire property. To satisfy the substantial future requirements of both the Bank and its tenants, a major new construction project will be needed. Hopefully, such construction will begin in [illegible]

POOR COPY

LOANS

Gross loans on December 31, 1969, were $340,217,488, an increase over the previous year-end of $3,956,416. Loan demand was constant throughout the year. In July it became apparent that lessening the pressure on the Bank's liquidity was imperative, so at that time the parent company, The First National Bancorporation, issued $20,000,000 in commercial paper. The holding company itself sold this paper, mostly to large corporate customers of the Bank, and used the proceeds to purchase loans from Bank's portfolio. The Bank in turn retained the proceeds in cash as part of its required reserves at the Federal Reserve Bank.

Nevertheless loans averaged $331,693,033 in 1969, versus $304,920,987 in 1968. As a measure of the economic activity in our area, it is interesting to note that five years ago – 1965 – the Bank's average loans were $229,000,000. Thus, in this short five-year span, loan volume has increased 45%.

In 1969 the average rate of interest received on loans was 7.83% versus 6.65% in 1968.

DISTRIBUTION OF LOANS / YEAR END

	1969	1968
Loans for Commercial, Industrial and Individual Purposes	$166,044,871	$167,925,217
Real Estate Loans, Construction Financing, Builders' Mortgage Brokers, etc.	74,852,495	79,865,041
Loans Originating from Correspondent Banks, all types	60,389,439	66,062,643
Consumer Credit (Personal, instalment)	27,240,443	22,408,171
Master Charge (net)	5,687,240	– –
Gross Loans	$340,217,488	$336,261,072
Reserve for Bad Debt Losses	$ 5,637,075	$ 5,552,294

Reserve for bad debt losses at the end of 1969 was at the highest level permissible under the formula prescribed by the Treasury Department in 1965.

Under the terms of the Tax Reform Act of 1969, effective in 1970, banks are allowed a reserve of only 1.6% of eligible total loans at year-end instead of the former ceiling of 2.4%. In the future, until loan reserves are reduced to the lower percentage figure, no additions to them may be made. Banks will be required to deduct loan losses as an annual operating expense, thereby reducing net operating earnings and final net income instead of making the transactions only as a reconcilement of capital accounts.

Therefore, as reflected in the reserve figures noted above, the Bank added over $2,000,000 to its reserve for bad debts. This was the maximum permitted for 1969 under the old formula.

In mid-1969 the Bank, as a member of Mountain States Bankcard Association, began the issuance of Master Charge credit cards, and at year-end there were 170,248 of these cards outstanding to First National depositors and those of 71 agent banks from whom we purchase the credits generated in their communities. We are thus one of 3,867 banks throughout the nation participating in the Master Charge-Interbank system. On December 31, 1969, $6,682,240 of credits were outstanding on our books. It is anticipated that in 1970 the average outstanding balances will exceed this latter figure by about 50%.

[illegible]

All lending activities, with the exception of Correspondent Banks, have been consolidated into a new Loan Department which now consists of six specialized lending divisions. This was implemented in order to achieve better communication and cooperation among those responsible for loans and to properly allocate loanable funds to best serve the interests of our customers and the community.

Allocation of funds in this tight money period has been extremely difficult but each division has cooperated fully in following strict guidelines against the making of loans for acquisition, speculation, non-productive purposes, increases in lines of credit and those without a definite repayment program. It is not anticipated that commercial loan demand or interest rates will decline during the next several months.

REAL ESTATE DIVISION

Statistics for the five-county Metropolitan area indicate for 1969 the highest dollar volume of loans recorded in the last ten years and The First National Bank as the largest lender at $201,000,000. Total volume of new business by the Real Estate Division amounted to $161,200,727. The greatest increase was in new construction loans – $48.2 million compared with $20.8 million in 1968. Loans to Mortgage Bankers amounted to $127,150,340, an increase of $9 million. It will be difficult to achieve the same total volume of new business in 1970 due to a shortage of construction loan funds.

MORTGAGE BANKING DIVISION

The Mortgage Banking Division entered 1969 with its traditional investors virtually entering residence lending, and with income property developers increasingly resistant to higher interest rates and demands for income or ownership participation by lenders. This Division was able, however, to increase its mortgage loan servicing portfolio to a total of $272,803,000.

A large backlog of outstanding commitments for 1970 indicates an extremely profitable operation for the coming year.

[illegible]

The 1969 volume of Colorado-manufactured exports is estimated at $750,000,000, indicating that the state is becoming an important distribution point for world-wide commerce. Throughout the state, Colorado business is increasingly export-minded, and it is estimated that more than 250 Colorado companies now or soon will actively, with anticipated growth of 20-25% annually, in cooperation with the Bank, in the efforts of the Colorado Regional Export Expansion Council, the Bank, through its International Division, co-sponsored seminars providing export development information for local businesses. The International Division of the Rocky Mountain area banking with services [illegible] documentation, letters of credit, assistance in foreign exchange, foreign correspondent relationships, export credit insurance. In 1969, due to the [illegible] of these services, the Division received an

increase of 30% in volume. All indicators point toward continued substantial export-import growth throughout the area to be served by The First National Bancorporation.

PERSONNEL

Two major changes in the Bank's pension program were instituted during 1969, the first such changes since 1955. A new profit sharing plan was added to our overall program. Changes were also made in our retirement policy so that early retirement may now begin at age 55 with actuarial reduction in the amount of pension received between ages 55 and 62. From age 62 through 65, optional retirement may be taken with full pension benefits.

Several years ago the Bank initiated an internal program based on special training of employees to sell additional bank services to customers. Incentive awards are given each month to the staff members who sell the most new services. During 1969 over 3,000 contacts were made by non-officer staff resulting in 1,500 new accounts of various types with original balances totaling over $5,000,000.

DIRECTORS

In December, Russell T. Tutt resigned as a Director and was replaced by Bruce D. Alexander, President of The First National Bancorporation, Inc. Mr. Tutt is a longtime director of The First National Bank of Colorado Springs, anchor bank in a new, thirteen-bank registered holding company, Affiliated Colorado Bankshares, in his capacity as a director of the new organization, a conflict of interest was apparent. We regret very much losing Mr. Tutt's active and able services.

RETIREMENTS

During 1969, six staff members retired under the Bank's pension plan. Their names and years of service are as follows:

	Department	Years of Service
LeVaughn Estes	Personnel	31
Thad S. Hays	Trust	21
Anita Penaso	Operations	47
Fred Polk	Operations	10
Hugh Rankine	Operations	43
William Wegner	International	43

The Bank wishes to thank all of these staff members for their loyal service.

TRUST DEPARTMENT

The volume of new business accepted by the Trust Department in 1969 far exceeded that of any previous year, the greatest area of growth being in pension and profit sharing trusts. The Bank was designated as trustee of several major pension plans during the year. Pension and profit sharing trusts carry great significance to the future of trust business inasmuch as yearly contributions by the employers may be expected to bring about continued steady growth in the assets held by the trustee for many years in the future.

Trust Department fees in 1969 were $5,867,401, an increase of 15.3% over 1968's $5,104,779. Total assets held with investment responsibility within the Department also increased materially during the year.

During 1969, arrangements were made whereby Hamilton Management Corporation, sponsor of Hamilton Funds, undertook the clerical servicing, and the Data Services Division of International Telephone & Telegraph Company undertook the electronic data processing of the shareholders' accounts. This new arrangement has worked very well and resulted in improved service to the many thousands of investors. Bank charges for doing this work, at cost, have been included as a portion of Trust Department income, and offsetting amounts of expense have been included in the various categories of Operating Expenses. Under arrangements made effective this year, a very substantial portion of these costs will be paid directly by the Hamilton entities and will not be reflected in our Operating figures. Accordingly, Trust Department gross income for 1970 and subsequent years will be reduced materially, and the various categories of Operating Expenses will be reduced in offsetting amounts.

The Investment Division of the Trust Department has achieved an enviable record of performance during the last year. While it is difficult to compare investment performance in individual trusts, Common Trust Funds, operated by Bank trustees for collective investment of many trusts under their management, offer an excellent basis for comparison with investment performance of other trust departments and organizations offering investment services to the public. Common Trust Funds A and C, which are operated and maintained for the investment of funds of estates and trusts of all types and Fund E—a common stock fund for participating Pension and Profit Sharing trusts—all performed substantially better than the recognized market indices.

CORRESPONDENT BANKING DEPARTMENT

In 1969 correspondent bank deposits averaged $55,800,000, with a high figure during the year of $62,600,000. The average of loans administered by this Department was $54,400,000, far the highest in the history of the Bank.

As has been pointed out previously, the Bank is the area's largest lender on livestock. These loans averaged $27,700,000 in 1969, also much the highest total in the Bank's history.

Very bad weather during the beet harvest season resulted in many beets staying in the ground, causing serious losses to the growers. It is therefore quite likely that many farmers will be unable to pay off their agricultural loans, as they usually do at this time of year. The Bank, through its correspondents, will be required to carry these loans over into the 1970 growing season, thus adding further pressures on diminishing lendable funds.

During 1969, 32 new correspondent bank accounts were opened — a very favorable development. Three new officers were elected in the Department during the year and the entire group travelled by car exactly 50,000 miles in the Rocky Mountain Region.

PERSONAL BANKING DEPARTMENT

To expand the Bank's business in all markets, it conducts extensive and aggressive business development programs. These include personal calls on corporate, bank, institutional and individual customers and prospects throughout Denver, the state and the nation.

The officers and staff of the Department are thoroughly trained to offer all of the highly specialized facilities of a bank which operates on a nationwide basis. Familiarity with the

DOWNTOWN DENVER...

where it happens!

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point toward continued substantial
import growth throughout the area
served by The First National Bancor

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William Wegner	Internatio

The Bank wishes to thank all of th

DOWNTOWN: WHERE IT HAPPENS

HUB: a chief center of activity; focal point; heart; pivot.

Call it Downtown. With a capital "D."

Downtown Denver. The hub, the heart, the pivot, the center of ever-growing Metropolitan Denver.

Metro Denver. In turn, the hub, the heart, the pivot, the center of the sprawling, constantly diversifying Rocky Mountain region.

Decisions made Downtown will affect the pocketbook of the weathered cowpoke on the windswept range.

Downtowners—the people who work and relax there—buy the goods and services that help pump an ever-widening stream of dollars into the expanding economy.

The professionals of Downtown—the lawyers, the accountants, the doctors, the consultants, the real estate experts, the entertainment-oriented and other myriad categories—make their mark too. Economic. Philosophical. Practical.

The blinking lights of computers outwardly mark the miracles performed routinely as part of a swiftly advancing technology.

The glittering retail showplaces of Downtown insure that Milady is as elegantly styled in the surroundings of her Mile High City as her haute couture sister anywhere else in the world of fashion. And that the total scope of merchandising matches the best anywhere, with a couple of added fillips—like dominance in the field of western wear.

Oil exploration equipment moves into action somewhere in a far-off desolateness, on the strength of a go-ahead from one of the many Downtown offices which in and of themselves comprise a regional oil capital.

Buildings rise, homes are built, businesses founded, lives enhanced, industries motivated—on the strength of concepts created Downtown.

No man is an island. Nor is any metropolitan segment. Downtown is interdependent with the rest of the Metro area it serves—interdependent in terms of associations, partnerships in progress, insight, foresight and common goals.

Downtown sets the pace. The pace is sometimes furious, sometimes invigorating, sometimes enervating. But always intriguing.

Downtown. Where it happens.

BLANK PAGES

POOR COPY

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The Bank wishes to thank all of the

Government and commerce blend. The State Capitol, left foreground, is poised like a sentinel over adjacent Downtown.

DOWNTOWN DENVER'S grid of streets tilt at a jaunty angle away from the East-West, North-South pattern on which the rest of the city is laid out.

The intersection of the angled streets with the "true" thorofares can cause newcomers and visitors some temporary inconvenience. Then, suddenly, everything seems to fit together and it is easy to remember that Bannock runs into 14th Street, that West Colfax makes a jog and then aims toward 15th Street and that there are other comparable alignments.

As one business spokesman remarked: "Downtown doesn't cover much area—but it sure covers a lot of ground!" In terms of physical size, Downtown is compact. In terms of impact on the economy and surrounding Metro Denver, it is tremendous.

From Christmas to Stockshow, the shoppers throng Downtown in particular abundance.

The area customarily defined as Downtown is bounded by Broadway, West Colfax Avenue, Speer Boulevard, Larimer Street and 20th Street.

It comprises only an approximate half-square-mile of the 100 square miles inside the city limits of Denver. And it is only a miniscule percentage of the 200 square miles of four Metro counties—Denver, Adams, Arapahoe and Jefferson.

As the pattern of post-World War II growth blends into the fast-moving '70s, it is apparent that there is a great volume of building and business activity on the borders of Downtown. The boundaries of what ultimately will constitute the core area may undergo substantial expansion.

(continued)

The big board writes and having writ, moves on. No stockholder's piety nor wit can cancel half a line of the continuing electronic report concerning Wall Street.

increase of 30% in volume. All inc
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served by The First National Bancor

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RETIREMENTS

During 1969, six staff members retire
the Bank's pension plan. Their name
of service are as follows:

	Assistant
LaVaughn Estes	Personnel
Thos S. Hays	Trust
Anita Perissa	Operations
Fred Pols	Operations
Hugh Ransone	Operations
William Wagner	Internation

The Bank wishes to thank all of the

The bustling lobby of the Denver Hilton is a focal point of visitors converging on Denver.

POOR COPY

The Public Service Company, headquarters shown left foreground, supplies the lights and power for the complexities of its Downtown neighbors.

But even now, from this half-square-mile included in present definitions of Downtown, an impressive array of statistics emerges:

Downtown:

- Pays 12% of all Denver taxes.
- Provides 60% of all office space in Metro Denver.
- Has a working population – an estimated 68,000 – larger than all but a handful of Colorado cities.
- Is the major business, governmental, financial and administrative center between the West Coast and the Missouri River.

(continued)

A new type of parking structure near 17th and California Streets – with cars scheduled to go up, up and away to conserve space and improve efficiency – is shown against the background of

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Hugh Rankine	Operations
William Wegner	Internation

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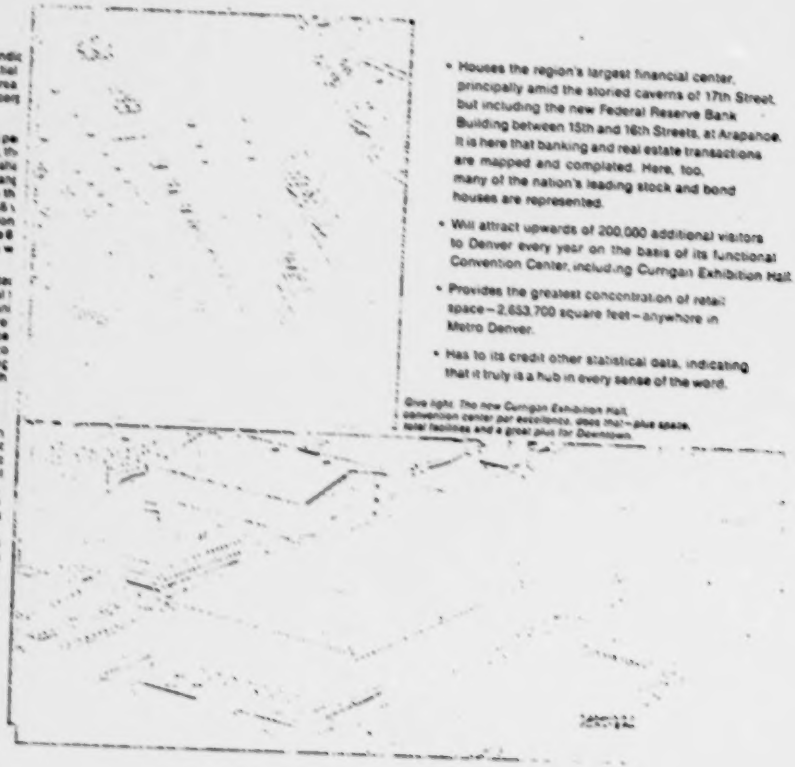


- Houses the region's largest financial center, principally amid the storied caverns of 17th Street, but including the new Federal Reserve Bank Building between 15th and 16th Streets, at Arapahoe. It is here that banking and real estate transactions are mapped and completed. Here, too, many of the nation's leading stock and bond houses are represented.
- Will attract upwards of 200,000 additional visitors to Denver every year on the basis of its functional Convention Center, including Currigan Exhibition Hall.
- Provides the greatest concentration of retail space—2,653,700 square feet—anywhere in Metro Denver.
- Has to its credit other statistical data, indicating that it truly is a hub in every sense of the word.

Give light. The new Currigan Exhibition Hall, convention center par excellence, does that—plus space, total facilities and a great plus for Downtown.

POOR COPY

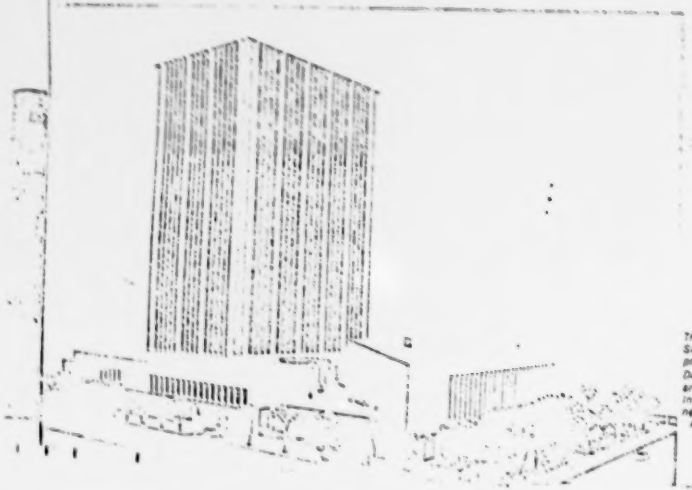
the total present figures are downtown projections for the future.

Soon to be built on the block bounded by 16th and 17th Streets and Arapahoe and Curtis Streets – within the legendary shadow of the Daniels & Fisher tower – are:

- A 24-story building on 17th Street, containing 502,000 square feet of office space.
- Two retail buildings with more than 100,000 square feet of space. One will be three stories high, the other two stories.
- A landscaped park area set back 55 feet along 16th Street.
- A second level pedestrian plaza.

This complex, a joint venture of Del E. Webb Corporation and the Prudential Life Insurance Company, is a $23 million dollar project, part of the Denver Urban Renewal Authority's total concept for the Skyline Redevelopment Area. It will have 987,227 square feet of space under roof.

(continued)



This $23 million dollar Skyline Redevelopment Area project, a joint venture of Del E. Webb Corporation and the Prudential Life Insurance Company, will inject new vitality Downtown.

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Anna Penasa	Operations
Fred Polk	Operations
Hugh Rankine	Operations
William Wegner	International

The Bank wishes to thank all of these

A $20 million dollar development will rise on the block bounded by 15th and 16th Streets and Lawrence and Arapahoe Streets.

The development, negotiated under agreement with DURA, will be a joint venture of Leavell Enterprises, Inc. of Denver and El Paso, general contractors and developers; Rio Grande Industries, Inc. of Denver, and the Central Bank Building Corporation, a wholly owned subsidiary of Central Bank and Trust Company of Denver.

The development concept includes a 20-story office building paralleling 15th Street; a 12-story office structure along 16th Street and an 8-story general commercial and office building. The latter would connect the two higher structures and would parallel a proposed Skyline Park fronting on Arapahoe.

Buy, buy. The name of the game Downtown is excellent, update retailing

The revered borders the excitingly new. The excavation for the Webb-Prudential Denver Urban Renewal Authority project edges the memorable Daniels & Fisher tower.

Forty percent of the land area will be open space, utilizing extensive landscaping. Three levels of underground parking will handle approximately 600 cars.

Not measurable in terms of bricks and mortar but generating international excitement and interest is the possibility that Denver may host the Winter Olympics in 1976.

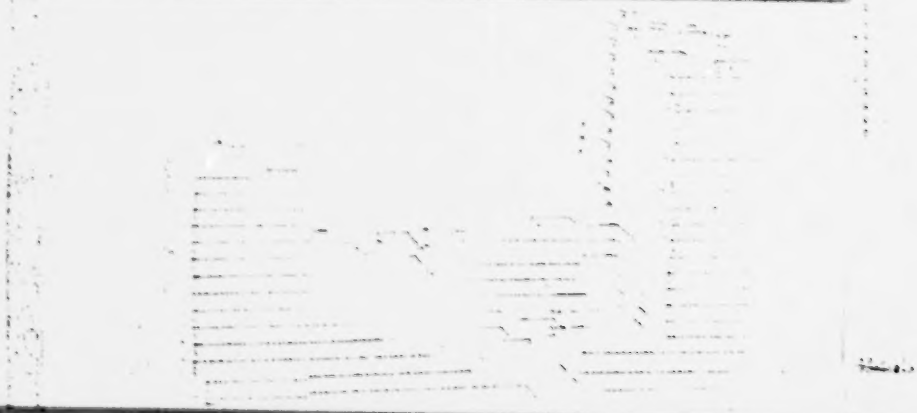
Already within Downtown is office space of 3,595,103 square feet. (Such space includes buildings of more than 10,000 square feet of rentable floor space, but excludes buildings occupied by a single tenant.)

Out of the actual boundaries of Downtown but bordering close by is the projected Auraria Renewal Area. Auraria requires a $5,638,000 appropriation from the State Legislature, a city-contributed share of $5,273,215 (previously authorized by the voters) and federal capital grants totaling $12,634,806.

The complete project cost will be $21,457,647. In a 38-block site bounded by Cherry Creek, West Colfax, 6th Street and Wazee Street, 169 acres will be used for a higher education center housing separate

(continued)

Another dynamic DURA-sparked project: The unique architectural complex (designed by W. C. Muchow Associates) will house Rio Grande Industries, Inc., the Central Bank and Trust Company and other tenants.



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Fred Polk	Operation
Hugh Rankine	Operation
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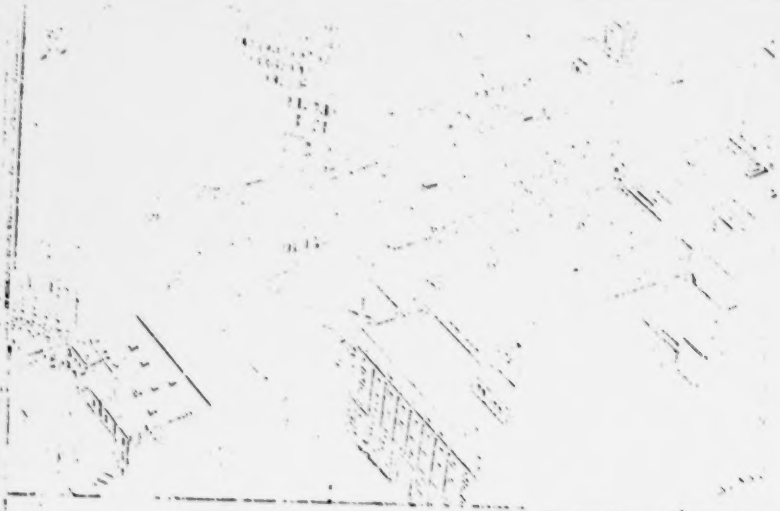

The impressive Colorado State Bank Building begins to rise at East 16th Avenue and Broadway

campuses for Metropolitan State College and Denver Community College; facilities for the University of Colorado's Denver Center, and other facilities to be used mutually by all three institutions. Both CU Extension and Metro State presently are housed Downtown.

Simultaneously, private developers are taking long, imaginative looks at other portions of Downtown. John M. King, Denver financier, and Harry A. Trueblood, Jr., Denver oil executive, are contemplating development of a complex of buildings in the block bounded by 17th and 18th Streets, Glenarm Place and Welton Street.

The 400,000-square-foot, 26-story Colorado State Bank Building at 16th Street and Broadway is under construction, with completion targeted for 1970. Mountain Bell continues to add square footage as it adds phones and services.

The stylized new Denver Art Museum at West 14th Avenue and Bannock Street, on the fringe of Downtown, is nearing completion, adding another dimension to the governmental-park-library grouping which extends from Grant Street on the East to Delaware Street on the West.

(continued)

Decisions, decisions, to be made leisurely and with delight, as a shopper peruses some of the offerings of The Denver, Downtown.

The new Denver Art Museum, foreground, will add a dimension to the cultural complex near Downtown. In the background are visible the brightly-hued panels of the new Downtowner Motor Inn.

POOR COPY

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Hugh Ashkins	Operations
William Wegner	Internation

The Bank wishes to thank all of the

The Denver Broncos, under Coach Lou Saban, play professional football in Mile High Stadium, a site within view of, but technically outside the boundaries of Downtown. But it was Downtown determination that helped spark expansion of the Stadium, which in turn made crowds possible like this 50,533 turnout in 1969 to watch the Broncos humble Joe Namath and the New York Jets. Mile High Stadium also is the site where The Denver Bears of the American Association play baseball.

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Hugh Rankine	Operations
William Wegner	Internation

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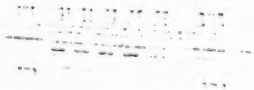
Included in those near-Downtown boundaries are the State Capitol, the City and County Building, the Denver Public Library, the U.S. Mint, the Denver Water Board Building and famed Civic Center, a pacesetting concept of open space developed well ahead of its time by the late Mayor Robert W. Speer.

Denver's two daily newspapers of general circulation, The Denver Post and The Rocky Mountain News, are Downtown-situated – The Post within the actual

The shadows of twilight soften the contours of the towers of Downtown.

Downtown perimeter. The News fronting on Wes
Colfax, the dividing south boundary. Two blocks s
of The News, Cervi's Journal, a unique, peppery
weekly business publication, holds forth.

With an estimated 68,000 persons now employed
Downtown, planners are seeking constantly to upd
and expand parking facilities and arterial accesses
for the thousands of automobiles which stream into
Downtown every day. Denver's penchant for wheels



[illegible] of Federal structures Downtown [illegible] and the Federal Office Building. Between them is the Federal Courthouse

—577,766 passenger car registrations in Metro Denver —results in the second highest per capita ratio of cars to population in the United States (Los Angeles is first). They stream in and out on a number of main arteries, including the high-speed Valley Highway (which is also North-South Interstate 25). Interstate 70 (East-West) also brings cars near Downtown.

That penchant sends bleary-eyed experts back to the drawing boards again and again, seeking new solutions to the problems caused by the motorized cavalcade which traverses the streets of Downtown.

(continued)

The Republic Building Parking tower at 17th Street and Tremont Place is both utilitarian and esthetic

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Thad S. Hays	Trust
Anita Ponessa	Operation
Fred Polk	Operation
Hugh Rankine	Operation
William Wegner	Internatio

The Bank wishes to thank all of th

modern buses of the Denver Tramway Corporation and fleets of taxis.

On the long-distance side of the transportation pattern, Downtown houses two principal bus terminals and the near-lonely Union Station. Where hordes of waiting passengers and friends used to stand by to board such stainless steel marvels as the Denver Zephyr and the Union Pacific City of Denver, whera servicemen of World War II said sad goodbyes and cheerful hellos—all is quiet during weekdays as the heyday of the passenger train phases out. But on winter weekends, the Station echoes again to the shouts of the skiers who ride the special trains to and from the slopes.

Where once was all bustling confusion, Union Station now is quiet, as the passing of the passenger train becomes a reality.

—But life returns to the Station when the Sunday ski trains return to Denver, carrying their [illegible] enthusiasts.

[illegible] Bank Building in proximity
[illegible] is a handsome addition to Downtown

All major airlines are represented by Downtown ticket offices. Stapleton International Airport is only 13 to 18 minutes from Downtown (depending on time-of-day traffic). Limousines and taxis provide direct transportation to the Airport.

Downtown's highest building, the 42-story Brooks Tower, adds a new dimension of living in the heart of the city. Too, it and the other skyscrapers completed in the postwar building boom which gained impetus in 1954 and scarcely has slowed down since, are milestone markers for longtime Denver residents.

Less than two decades ago, the only two structures which soared high on the Denver skyline were the D&E tower and the yellow-gold hues of the Telephone Building. Now they have been joined by a host of other structures—all part of that aforementioned building boom.

Denver still has more federal governmental offices than any other city except Washington. (A loyal Coloradan, somewhat of a wag, once suggested that Washington might be referred to as "The Denver of the East.")

The principal federal buildings Downtown, most within easy hailing distance of each other, are the venerable Postoffice Building; the Courthouse; the New Custom House and the Federal Office Building. Not too far away, snuggled under the viaduct, is the Postoffice Department's Wynkoop Annex, where most mail processing actually is done.

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[illegible] impact growth throughout the area served by The First National Bance

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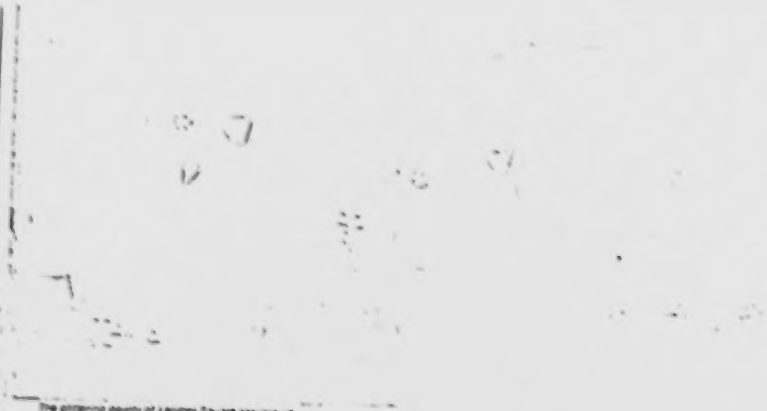

The glittering gayety of Larimer Square spruces up what used to be a dilapidated desert of Downtown.

One of the esthetic delights which arrived on the Downtown scene a few short years ago is Larimer Square. Where an aura of down-on-luck men and tired buildings used to be an implacable part of all of Larimer Street, at least a portion of that aura has been banished by the advent of the Square.

Now, sleekly cosmopolitan shops, restaurants and specialty stores rise phoenixlike from antiquated architecture. Courtyards, greenery and an atmosphere reminiscent of San Francisco's Ghirardelli Square. The Cannery, and Wharfside have converted the site of the Square to graciousness and gracefulness.

Downtown, of [illegible] is a displaces of tradition and of newness. The internationally known Bro Palace Hotel, with its open-tiered lobby where the pulse of the West continues to be on display, is linked with its newer adjunct, Brown Palace W[illegible], over a scenic, glassed-in bridge. The massive Den Hilton provides myriad services and convenience for visitors and residents alike. The new Downtowner, across the way from Civic Center, adds a contempor touch of decor know-how to Downtown hotel-motel facilities.

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William Wagner	Internation

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Have a winter world for the ice-skating rink flanked by May - D&F and the Denver Hilton.

The night clubs, the restaurants, the theaters shape a pastiche of entertainment and enjoyment, from New Orleans jazz to soft-toned piano; from fancy seafood to the staple of Western economy, thickly tender steaks.

Motion picture houses, the legitimate theater within the Convention Center complex, the sophisticated elegance of a Denver Symphony Orchestra audience —all are part of the entertainment panorama.

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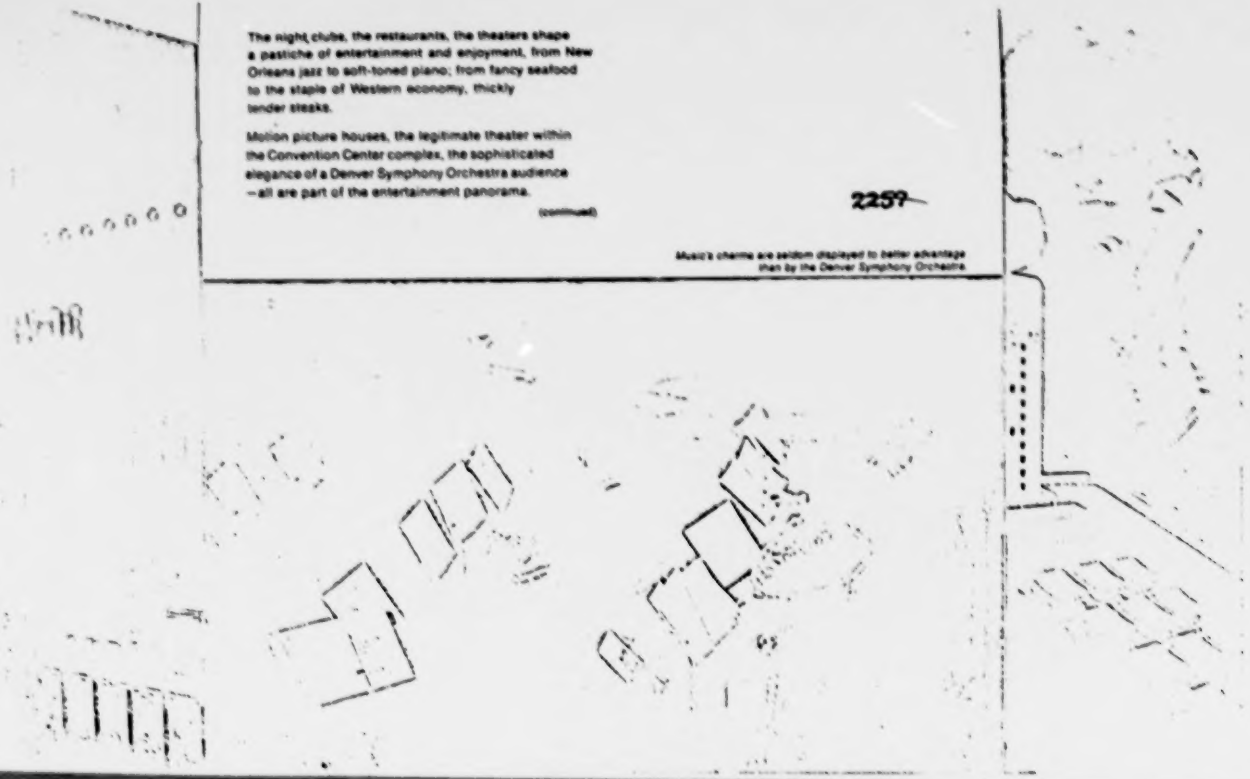
Music's charms are seldom displayed to better advantage than by the Denver Symphony Orchestra



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capacity as a director of the new
conflict of interest was apparent.
much losing Mr. Tutt's active and a

RETIREMENTS

During 1969, six staff members reti
the Bank's pension plan. Their nam
of service are as follows:

	Previous
LeVaughn Estes	Personne
Thad S. Hays	Tutt
Anita Ponasa	Operatior
Fred Polk	Operatior
Hugh Renkine	Operatior
William Wegner	Internatio

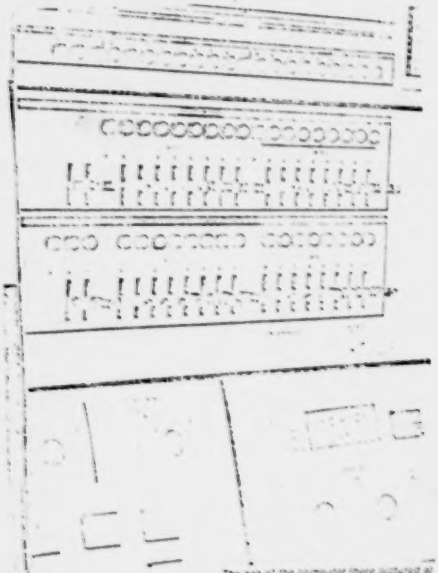
The Bank wishes to thank all of th

The Arena portion of the complex also rings with standing-room-only crowds shouting encouragement to the Denver Rockets basketball team and the Denver Rocks boxing team.

The Denver Spurs of the Western Hockey League also have a strong link with Downtown, although they play their schedule at the Coliseum.

It was Downtown, in 1947, that the late Henry Barnes began revitalizing the city's traffic patterns. The appropriately named "Barnes Dance"—in which all traffic stops while pedestrians stroll diagonally across busy intersections—was originated by the

Boxing made a triumphant return to Downtown on a regularly scheduled basis when the Denver Rocks became the city's representative in the new International Boxing League.



The age of the computer (here pictured at McDonnell Automation Company). Will it also be known as the age of the "button-down"?

innovative Mr. Barnes in Denver and has been widely copied. The one-way grid of streets, which vastly assists in movement of traffic, also was introduced by Henry Barnes to Denver and subsequently by him to Baltimore and New York.

Downtown. More than just a mass of buildings crowded with people. A state of mind, a way of life, a cohesive force in binding together a great Metropolitan area.

increase of 30% in volume. All ind
point toward continued substanti
import growth throughout the are
served by The First National Banc

[redacted]

Two major changes in the Bank's p
gram were instituted during 1969,
changes since 1965. A new profit s
added to our overall program. Cha
made in our retirement policy to
tirement may now begin at age 5
reduction in the amount of pensi
between ages 55 and 62. From age
optional retirement may be taken
pension benefits.

Several years ago the Bank initiat
internal program based on specia
of employees to sell additional ba
to customers. Incentive awards ar
month to the staff members who s
services. During 1969 over 3,000 c
made by non-officer staff resultin
new accounts of various types wit
balances totaling over $6,000,000.

DIRECTORS

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	Position
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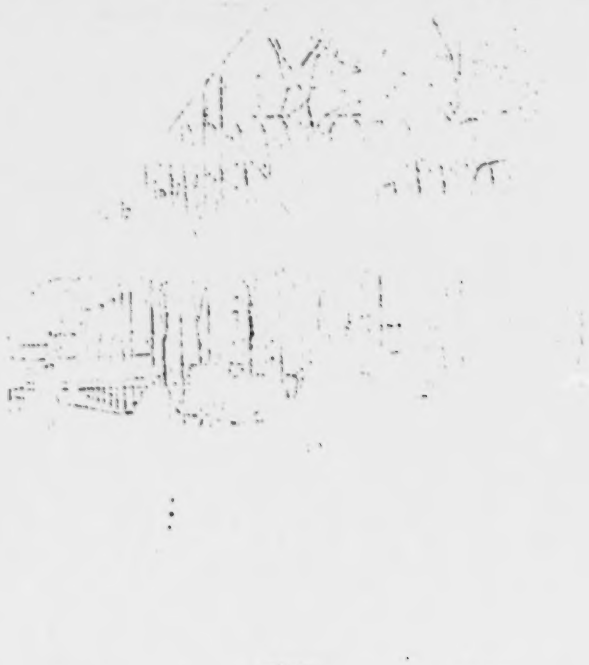
Thad S. Hays	Trust
Anita Peraza	Operation
Fred Polk	Operation
Hugh Ramsine	Operation
William Wegner	Internatio

The Bank wishes to thank all of th



The splendid shops and waiting taxis of New York? San Francisco? Paris? No. Looking southwest on Court Place toward 16th Street.

City in the background. Ways to get there in the foreground. The conveniences and intricacies of today's high-speed highways help reach the heart of Downtown in a hurry.

increase of 30% in volume. All in
point toward continued substanti
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[illegible]

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Thad S. Hays	Trust
Anita Penasa	Operatio
Fred Pore	Operatio
Hugh Parkins	Operatio
William Wagner	Internatio

The Bank wishes to thank all of th

Prepared on behalf of Downtown Denver by
The First National Bank of Denver.

customer's business, his market and financial needs enables the Bank to build close and lasting relationships. Officers of the Department also provide valuable assistance to customers and prospects who seek to locate businesses and personnel in the Denver metropolitan area.

Business Development Department's personal banking section, in an effort to establish new banking relationships, implements such programs as personal and household checking accounts, savings, installment loans, Revolv-Account, RecordAccount and the Master Charge Credit Card program.

OPERATIONS

On October 6, 1969, the Bank became the first one in Denver to receive approval for the establishment of a satellite deposit and limited banking facility under a new law passed by the Colorado State Legislature. This new facility should be completed by the fall of 1970 and will substantially expand the Bank's ability to accommodate growth in banking customers' needs for regular savings and checking account transactions.

The First National Bank of Denver Computer, a fast, flexible, modern, data processing subject to [illegible] computer complex, [illegible] by Bank officers and staff. The [illegible] of the Bank's data processing activities became [illegible] Checking [illegible] to be added to the system in 1970. [illegible] and other customer services will be added in 1971 and 1972.

In December, Breakthrough '70 was initiated offering a no-service-charge checking account to anyone maintaining a minimum $300 balance in one account, or having in the same ownership $1,000 in a savings account. This new plan is already attracting many new customers.

Later in the year the Bank reached an agreement to assume the data processing services presently offered by the Rocky Mountain Computer Corporation in Colorado Springs. These services will be incorporated within the Bank's own data processing activities during the year. Included are demand and savings deposit accounting for eight banks as well as several separate data processing services offered to various depositors in the Colorado Springs and Pueblo areas.

[illegible]

The annual meeting of stockholders of The First National Bancorporation will be held on April 29, 1970, and prior to that date the corporation's stockholders will be sent a formal annual report. It is only necessary to mention in this report that 1969 was indeed a busy one for the officers and directors of "Banco." Commitments were made to four banks to enable them to become members of the holding company, subject

The computerized Central Information System was put into operation for Savings during 1969. Checking, Loans, and other services will be added

to approval by the Federal Reserve Board of Governors and acceptance of the stock exchange offers by their stockholders. The four banks are:

The First National Bank of Greeley
The First National Bank of Pueblo
The Exchange National Bank of Colorado Springs
Security State Bank of Sterling

While it takes many months to receive an opinion from the Board of Governors, we [illegible] will, hopefully, receive approval for all four of the above banks during 1970.

THE FIRST NATIONAL BANK OF KENYA
CAGNTH COMPARISON—1969-1960 (CONSOLIDATED):

YEAR END TOTALS: (in thousands)	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960
Deposits:										
Demand	$345,061	$330,634	$295,283	$256,430	$252,360	$241,795	$251,583	$268,267	$257,140	$247,001
Savings	81,795	90,883	109,939	132,212	131,862	120,992	104,292	88,044	73,336	64,059
Other Time	80,484	120,732	104,168	82,477	43,302	41,543	18,604	20,372	16,838	7,736
Total	507,340	550,249	509,395	441,178	427,224	404,330	374,479	376,683	347,192	318,800
Capital Funds	43,622	41,439	38,839	36,302	34,572	33,284	32,020	30,999	30,043	28,993
Loans (Before Reserve)	340,217	336,251	292,749	263,805	265,829	220,236	222,850	201,283	175,031	173,592
U.S. Government Obligations	31,535	67,037	60,537	44,179	49,973	73,706	58,403	74,927	91,700	66,721
Average Life to Maturity	574 days	430 days	227 days	218 days	148 days	131 days	95 days	62 days	126 days	141 days
Municipal Bonds	41,558	41,417	42,084	40,429	31,409	16,276	10,682	10,451	1,115	–
Average Life to Maturity	4.15 years	4.44 years	3.11 years	3.18 years	2.86 years	2.67 years	3.14 years	3.33 years	4.82 years	– years
AVERAGE YIELD										
Loans	7.88%	6.65%	6.21%	5.90%	5.40%	5.41%	5.41%	5.40%	5.42%	5.32%
Securities	7.29	6.43	5.87	5.73	4.07	3.56	3.60	3.33	2.54	3.78
All Loans and Securities	7.77	6.61	6.08	5.86	5.00	4.85	4.91	4.76	4.65	5.11
FINANCIAL RESULTS										
Income Before Securities Gains and Losses —Per Share	$10.59	$ 9.15	$ 8.20	$ 7.05	$ 5.12	$ 4.68	$ 4.27	$ 4.30	$ 4.43	$ 4.58
Net Income —Per Share	10.52	8.98	8.19	6.99	5.08	4.39	4.40	4.30	4.50	4.63
Net Income as a Percent of Capital Funds at Year End	12.06%	10.84%	10.55%	9.61%	7.34%	7.04%	6.72%	6.94%	7.49%	7.93%
CASH DIVIDENDS—										
Per Share	$ 4.12	$ 3.43	$ 2.80	$ 2.80	$ 2.34	$ 2.27	2.16	$ 1.95	$ 1.95	$ 1.93
BOOK VALUE—										
Per Share	$87.24	$82.88	$77.87	$72.78	$69.14	$66.56	$64.02	$61.99	$60.08	$58.02

Per share amounts are based on the 500,000 shares outstanding December 31, 1969.
No shares were issued during the ten years other than as stock dividends or stock splits.
Income wholly or partially exempt from income taxes is included in Average Yields at rates comparable to fully taxable income.

THE FIRST NATIONAL BANK OF DENVER
CONSOLIDATED BALANCE SHEET

RESOURCES	DECEMBER 31 1969	1968
Cash and Due from Banks	$174,798,084	$157,768,234
Securities:		
U.S. Treasury	28,204,869	61,037,105
U.S. Agencies	3,330,020	6,000,000
States and Political Subdivisions	41,558,234	41,417,073
Other	1,000,279	921,573
Total	74,093,402	109,375,751
Federal Funds Sold	7,400,000	1,400,000
Loans	340,217,488	336,281,072
Bank Premises and Equipment	18,049,664	15,059,918
Accrued Interest and Other Income Receivable	5,644,389	4,708,435
Other Assets	5,541,205	4,729,397
Total	$625,744,232	$629,302,807
LIABILITIES		
Deposits:		
Demand	$345,061,309	$330,634,483
Time	162,278,816	219,614,342
Total	507,340,125	550,248,825
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	45,225,000	21,614,607
Funds Borrowed	10,000,000	-0-
Mortgage Indebtedness	4,969,333	5,334,092
Unearned Discount and Other Deferred Income	1,943,960	1,614,838
Other Liabilities	6,806,134	5,448,853
Total Liabilities	576,285,052	584,311,215
RESERVES ON LOANS AND SECURITIES		
Reserve for Bad Debt Losses	5,837,075	3,552,294
CAPITAL ACCOUNTS		
Equity Capital:		
Capital Stock—500,000 Shares of Common Stock, $20 Par Value, Authorized and Outstanding	10,000,000	10,000,000
Surplus	20,000,000	20,000,000
Undivided Profits	13,622,105	11,439,298
Total Capital Accounts	43,622,105	41,439,298
Total	$625,744,232	$629,302,807

CONSOLIDATED STATEMENT OF EARNINGS

OPERATING INCOME:	YEAR ENDED DECEMBER 31 1969	1968
Interest and Fees on Loans	$ 27,023,087	$ 20,473,990
Interest and Dividends on Securities:		
U.S. Treasury and Agencies	2,172,983	2,842,052
States and Political Subdivisions	1,738,564	1,491,108
Other	55,897	54,994
Trust Department	5,837,401	5,104,779
Service Charges on Deposit Accounts	1,016,803	857,445
Other Service Charges, Commissions and Fees	2,233,733	1,534,491
Other	1,024,569	1,296,592
Total	41,203,043	33,655,511
OPERATING EXPENSES:		
Salaries and Wages	8,667,892	7,188,115
Pensions and Other Employee Benefits	1,441,824	870,610
Interest:		
Deposits	8,929,305	10,122,960
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	2,415,686	813,071
Borrowed Money	420,508	26,026
Equipment Rentals, Depreciation, Maintenance	1,937,528	1,557,613
Net Occupancy of Bank Premises	1,198,619	1,117,544
Provisions for Loan Losses (5 year average)	271,000	202,000
Other	6,001,938	3,143,530
Total	31,317,358	25,041,909
INCOME BEFORE INCOME TAXES AND SECURITIES (LOSSES)	9,885,687	8,613,522
APPLICABLE INCOME TAXES	4,589,371	4,038,308
INCOME BEFORE SECURITIES (LOSSES)	5,296,316	4,575,214
SECURITIES (LOSSES) (GROSS: 1969, $77,778; 1968, $108,041)—NET OF INCOME TAX EFFECT	(34,509)	(83,430)
NET INCOME	$ 5,261,807	$ 4,491,784
EARNINGS PER SHARE (500,000 Shares):		
Income Before Securities (Losses)	$ 10.59	$ 9.15
Net Income	$ 10.52	$ 8.93

CONSOLIDATED RECONCILEMENT OF CAPITAL ACCOUNTS

	1969	1968
BALANCE, JANUARY 1	$ 41,439,296	$ 38,939,099
ADDITION – NET INCOME FROM STATEMENT OF EARNINGS	5,261,807	4,491,784
DEDUCTIONS:		
Cash Dividends Declared – Per Share: 1969, $4.12; 1968, $3.43	(2,060,000)	(1,715,000)
Provisions for Loan Losses, Exclusive of Portion Charged Against Income – Less Related Income Tax Effect: 1969, $1,277,000; 1968, $221,415	(1,019,000)	(176,585)
BALANCE DECEMBER 31	$ 43,622,105	$ 41,439,296

CONSOLIDATED RECONCILEMENT OF VALUATION AND CONTINGENCY RESERVES

RESERVE FOR LOAN LOSSES PURSUANT TO INTERNAL REVENUE SERVICE RULINGS:	1969	1968
BALANCE, JANUARY 1	$ 3,552,294	$ 3,463,699
ADDITIONS:		
Transferred from Statement of Earnings	271,000	260,000
Transferred from Undivided Profits	2,295,000	398,000
Recoveries	443,124	130,222
Total	6,562,418	4,232,921
DEDUCTION – Loan Charge-offs	745,343	680,627
BALANCE, DECEMBER 31	$ 5,837,075	$ 3,552,294

No other valuation and contingency reserves are maintained.

THE COLORADO ECONOMY – FORECAST 1970 – the third annual economic seminar sponsored by The First, was attended by well over 500 area business leaders.

POOR COPY

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President

BRUCE D. ALEXANDER
President, The First National Bancorporation, Inc.

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President, The Denver and Rio Grande Western Railroad Company

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Retired Senior Vice President

RICHARD P. BROWN
Senior Vice President and Executive Trust Officer

THEODORE D. BROWN
Executive Vice President

ROBERT L. CAMPBELL
Vice President, Safeway Stores, Inc.

CLARENCE J. DALY
President, Daly Companies

MONTGOMERY DORSEY
Chairman of the Board

JOHN EVANS, JR.
President, Exeter Investment Company

JOHN A. FERGUSON, JR.
President, Stetson Realty Corporation

W. COLES HUGGINS
Executive Vice President, Mountain Bell

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Chairman, King Resources Company

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President, Silver Corporation

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Investments

MAHLON T. WHITE
Southern Colorado Banker

HONORARY DIRECTORS

JOHN EVANS, SR.
Retired Honorary Chairman

W. C. KURTZ
President, Independent Lumber Company

JAMES A. WOODS
Fairfield and Woods, Attorneys

*Member Executive Committee

t by dividing total loans
is a prime determinant of the
credit.

N RESERVE:
lled Bad Debt Reserve)
rvice regulations, revised in
e accumulation of a Reserve for
es, for most banks, up to a
igible loans at year-end.

Y BANK PREMISES:
ng and maintenance expenses
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ntal income from tenants.

ists of claims, insurance
dvance, and miscellaneous assets

IES:
s other than United States
rnment guaranteed bonds.

New York Prime Rate," this
st interest rate which New York
heir borrowers having the
l.

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rrived at by dividing the sum
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IT:
personal savings accounts
s or associations. Neither Savings nor
e withdrawn by check.

, Surplus is earnings of previous
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d only by vote of the Stockholders
pproval of the appropriate
y, state or national.

deposit represented by a Certificate
y payable to a corporation on a future
ed interest rate. These Certificates
to individuals but in this case,
avings Certificates. In either event,
notes a contract between the
tor for a specific period
e of interest.

BALANCE, JANUARY 1.....

ADDITION – NET INCOME FROM STATEMENT OF EARNINGS .....

DEDUCTIONS:

Cash Dividends Declared – P
Share: 1969, $4.12; 1968, $3.

Provisions for Loan Losses,
of Portion Charged Against I
Loss Related Income Tax Eff
1969, $1,277,000; 1968, $201,

BALANCE DECEMBER 31 .....

RESERVE FOR LOAN LOSSES F
INTERNAL REVENUE SERVICE I

BALANCE, JANUARY 1 .....

ADDITIONS:

Transferred from Surplu

Transferred from Undivi

Recoveries .....

Total .....

DEDUCTION – Loan Charge-

BALANCE, DECEMBER 31

GLOSSARY OF WORDS AND TERMS CUSTOMARILY FOUND IN ANNUAL AND QUARTERLY REPORTS OF COMMERCIAL BANKS

BUSINESS CAPITAL EXPENDITURES:
The amount which business spends each year for new plant and equipment. It is estimated that each dollar increase in business capital spending produces a rise of almost two dollars in the Gross National Product.

CAPITAL:
Carrying value of capital stock outstanding, the number of shares multiplied by the par value of each share.

CAPITAL FUNDS:
The sum of Capital, Surplus and Undivided Profits.

CAPITAL NOTES:
Debt instruments of a bank having maturities longer than two years issued to obtain additional funds for lending and investing. Proceeds from the notes are not presently included in the computation of legal reserves, and the claims of the holders are subordinate to the claims of the depositors.

CENTRAL BANK:
In the United States, The Federal Reserve Bank, with its headquarters in Washington, D.C. It corresponds approximately to the Bank of England, Bank of France, Bank of Switzerland, etc. Its basic responsibility is control of the supply of currency and credit.

CONGLOMERATE:
A term used to describe multi-industry companies which have little or no relationship among their component parts.

DEMAND DEPOSIT:
Money on deposit in checking accounts subject to withdrawal at any time.

DISCOUNT RATE:
The lowest interest rate which the Federal Reserve banks of the twelve districts charge their member banks for borrowing funds to maintain required reserves.

DISINTERMEDIATION:
A massive shift of savings away from banks or institutions directly into other money market instruments.

DUAL BANKING:
Since the passage of the National Bank Act in 1863, our nation has had two banking systems, one consists of the national banks chartered by the federal government, the other is made up of banks chartered by the state in which they operate. Most states (46 permit banks to have some form of branches, but banks, however, may branch across a state line.

FEDERAL FUNDS:
Every national bank and every state member bank of the Federal Reserve System must keep on deposit with the Federal Reserve Bank in its own District a specified percentage of its total deposits. When the amount on deposit is above the legally required reserve, the bank may sell the excess funds to other banks at available interest rates - usually about the same as the Discount Rate. Conversely, if the bank has an insufficient reserve, it must borrow from its Federal Reserve Bank or purchase from another bank the necessary amount to comply with the reserve requirement. These transactions between individual banks are called "Federal Funds Sold" or "Federal Funds Purchased."

FEDERAL RESERVE BANK STOCK:
Every national bank and every state bank member of the Federal Reserve System must own Federal Reserve Bank stock in the amount of 6% of the member bank's combined Capital and Surplus. Only one-half of the 6%, however, must be subscribed in cash - the other one-half is payable on demand by The Federal Reserve Bank.

GROSS NATIONAL PRODUCT:
Is made up of the sum of the following business capital expenditures, inventory buying, federal government spending, state and local government spending, housing starts, consumer spending, and foreign trade.

HOLDING COMPANY:
a) Registered bank holding company - A corporation registered under the Bank Holding Company Act of 1956, which owns or controls 25% or more of two or more commercial banks.

b) One-bank holding company - a bank which turns itself into a holding company by the simple expedient of the exchange of its stock on the part of its shareholders for the shares of a new corporation which controls only the bank itself. These are called conglomerates and at this date are not regulated by law as to the nature of the businesses which they may conduct.

c) Traditional one-bank holding company - this is the term used to describe the structure of a private non-bank corporation which purchases the control of a bank and permits the bank to operate as a subsidiary of the parent company. These are called conglomerates.

LEGAL LOAN LIMIT:
In a national bank this is equal to 10% of the sum of Capital and Surplus. For state banks the amount is set by statute, but in most states it is 10% of Capital and Surplus.

LOAN RATIO:
The ratio computed by dividing total loans by total deposits. It is a prime determinant of the availability of bank credit.

LOAN VALUATION RESERVE:
(Also sometimes called Bad Debt Reserve) Internal Revenue Service regulations, revised in 1969, now permit the establishment of a Reserve for Possible Loan Losses, for most banks, up to a ceiling of 2.4% of eligible loans at year-end.

NET OCCUPANCY BANK PREMISES:
Ownership, operating and maintenance expenses of all premises owned or occupied by the bank and its subsidiaries, less rental income from tenants.

OTHER ASSETS:
This normally consists of claims, securities, premiums paid on advance, and miscellaneous assets of small amounts.

OTHER SECURITIES:
Investment securities other than United States Government or government guaranteed bonds.

PRIME RATE:
Usually called the "New York Prime Rate," this represents the lowest interest rate which New York banks will offer to their borrowers having the highest credit rating.

RESERVE RATIO:
The ratio normally arrived at by dividing the sum of cash and government bonds by total deposits.

SAVINGS DEPOSIT:
Money on deposit in personal savings accounts owned by individuals or associations. Neither Savings nor Time Deposits can be withdrawn by check.

SURPLUS:
In conventional banks, Surplus is earnings of previous years which have been transferred from the Undivided Profits Account to the Surplus Account. Surplus funds can be utilized only by vote of the Stockholders of the bank and approval of the appropriate supervisory authority, state or federal.

TIME DEPOSIT:
These are funds on deposit represented by a Certificate of Deposit, ordinarily payable to a depositor on or after a fixed date and at an agreed interest rate. These Certificates may also be issued to individuals but, in this case, are usually called Savings Certificates. In either event, "Time Deposit" denotes a contract between the bank and the depositor for a specific period and at a specific rate of interest.

THE FIRST NATIONAL BANK OF DENVER
INCOME BY ACCOUNTS, 1967-1969

Account Title	Year Ended December 31, 1967 Amount	1967 %	1968 Amount	1968 %	1969 Amount	1969 %
Interest on Loans:						
Commercial	$13,714,649	50.1	$16,472,315	49.2	$21,729,142	52.6
Direct Real Estate	1,784,889	6.5	2,077,415	6.2	2,326,599	5.6
Installment	1,300,105	4.7	1,468,545	4.4	2,077,726	5.0
Federal Funds Sold, and Resale Agreements	224,582	0.8	821,744	2.5	469,242	1.1
Service Charges and Fees on Loans:						
Late Charges	-0-	-	44,174	0.1	76,944	0.2
Extensions, Assumptions, Transfers	-0-	-	17,113	0.1	33,824	0.1
Loan Servicing	26,596	0.1	406,305	1.2	969,313	2.3
Construction	191,501	0.7	221,675	0.7	572,758	1.4
Commitment, Finders, Origination	36,499	0.1	161,716	0.5	222,748	0.5
Filing Fees and Credit Reports	13,686	*	19,578	0.1	26,641	0.1
Interest and Dividends on Securities:						
U. S. Securities:						
Interest	2,249,936	8.2	2,214,535	6.6	1,779,241	4.3
Amortization of Premiums	(4,958)	(*)	(3,414)	(*)	(1,425)	(*)
Accretion of Discount	220,744	0.8	466,951	1.4	365,056	0.9
Municipal Securities:						
Interest	1,424,392	5.2	1,468,183	4.4	1,705,477	4.1
Amortization of Premiums	(143,933)	(0.5)	(120,950)	(0.4)	(109,128)	(0.3)
Accretion of Discount	44,767	0.2	143,935	0.4	172,324	0.4
Dividends - Federal Reserve Bank	54,000	0.2	54,000	0.2	54,000	0.1
Dividends - FNMA Stock	-0-	-	6	*	784	*
State of Israel Bonds	712	*	987	*	1,112	*
Trust	4,147,608	15.1	5,104,778	15.2	5,887,400	14.3
Service Charges on Deposit Accounts:						
Analysis - Regular Checking	537,564	2.0	528,127	1.6	644,755	1.6
Imprinting - Special Checking	130,013	0.5	127,109	0.4	128,346	0.3
Penalty and Special Service - Regular	120,333	0.4	142,088	0.4	171,275	0.4
Penalty and Special Service - Special	36,340	0.1	35,599	0.1	34,646	0.1
Other	4,892	*	24,519	0.1	37,779	0.1
Exchange, Collection, Commission, etc.:						
Exchange, Collection and Brokers Fees	58,198	0.2	89,064	0.3	95,674	0.2
Official and Travelers Checks	27,073	0.1	29,245	0.1	31,039	0.1

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THE FIRST NATIONAL BANK OF DENVER
INCOME BY ACCOUNTS, 1967-1969

Account Title	Year Ended December 31					
	1967		1968		1969	
	Amount	%	Amount	%	Amount	%
Exchange, Collection, Commission, etc.:						
International and Federal Fund Commissions	$ 15,372	0.1	$ 22,217	0.1	$ 19,725	*
Direct Leasing	-0-	-	-0-	-	20,000	*
Safekeeping	8,139	*	3,344	*	15,185	*
Master Charge:						
Merchant Discounts	-0-	-	-0-	-	54,195	0.1
Cash Advance Fees	-0-	-	-0-	-	5,762	*
Other Merchant Fees	-0-	-	-0-	-	22,407	0.1
Premises Rentals	-0-	-	-0-	-	-0-	-
Computer	775,335	2.8	975,769	2.9	1,007,135	2.4
Safe Deposit	69,466	0.3	73,653	0.2	75,906	0.2
Security Trading	136,270	0.5	191,461	0.6	318,961	0.8
Foreign Exchange	12,726	*	15,885	*	18,413	*
Food Service	88,537	0.3	94,579	0.3	103,045	0.2
Credit Life Insurance Premiums	-0-	-	8,614	*	8,160	*
Sundry Income	74,649	0.3	75,371	0.2	33,790	0.1
Services for Affiliates	14,997	0.1	22,356	0.1	90,076	0.2
TOTAL	$27,395,705	100.0	$33,498,604	100.0	$41,294,071	100.0

NOTE: Cents dropped without rounding. Totals may not prove.
* Less than 0.05%.

SOURCE: Defendants' Answer to Interrogatory 10(A).

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THE FIRST NATIONAL BANK OF NORTHGLENN
INCOME BY ACCOUNTS, 1967-1969

Account Title	Year Ended December 31, 1967 Amount	1967 %	1968 Amount	1968 %	1969 Amount	1969 %
Interest on Loans:						
Commercial	$185,348	42.5	$214,702	36.1	$259,214	33.2
Real Estate	47,945	11.0	53,275	9.0	30,253	3.9
Installment	64,924	14.9	89,124	15.0	172,681	22.1
Federal Funds Sold	-	-	1,217	0.2	12,944	1.7
Interest and Dividends on Securities:						
U. S. Securities	12,752	2.9	75,983	12.8	101,511	13.0
Municipal Securities	170	*	10,863	1.8	20,020	2.6
Dividends - Federal Reserve Bank Stock	585	0.1	599	0.1	630	0.1
Service Charges on Deposit Accounts:						
Regular Accounts	88,520	20.3	115,324	19.4	146,590	18.8
Special Accounts	26,415	6.1	21,488	3.6	18,257	2.3
Exchange & Collection Fees	6,707	1.5	7,719	1.3	9,766	1.3
Master Charge	-	-	-	-	510	0.1
Safe Deposit	1,872	0.4	2,485	0.4	4,228	0.5
Sundry Income	783	0.2	1,466	0.2	3,454	0.4
TOTAL	$436,021	100.0	$594,245	100.0	$780,058	100.0

* Less than 0.05%.

SOURCE: Defendants' Answer to Interrogatory 10(A).

THE FIRST NATIONAL BANK OF BEAR VALLEY
INCOME BY ACCOUNTS, 1967-1969

Account Title	Year Ended December 31, 1967 Amount	1967 %	1968 Amount	1968 %	1969 Amount	1969 %
Interest on Loans:						
Commercial	$221,606	54.5	$251,722	42.4	$334,544	41.5
Real Estate	32,710	8.0	21,876	3.7	13,951	1.7
Installment	46,388	11.4	124,205	20.9	172,576	21.4
Federal Funds Sold	-	-	404	0.1	9,576	1.2
Service Charges on Loans	1,982	0.5	3,730	0.6	6,012	0.7
Interest and Dividends on Securities:						
U. S. Securities	12,749	3.1	60,813	10.2	91,896	11.4
Municipal Securities	933	0.2	16,643	2.8	36,822	4.6
Dividends - Federal Reserve Bank Stock	720	0.2	738	0.1	828	0.1
Service Charges on Deposit Accounts:						
Regular Accounts	48,539	11.9	66,460	11.2	81,851	10.2
Special Accounts	13,114	3.2	15,928	2.7	18,659	2.3
Returned Items & Overdraft Charges	19,570	4.8	20,745	3.5	22,714	2.8
Exchange & Collection Fees	2,541	0.6	3,753	0.6	4,243	0.5
Master Charge	-	-	-	-	3,638	0.5
Safe Deposit	2,510	0.6	3,712	0.6	4,873	0.6
Sundry Income	2,978	0.7	3,071	0.5	3,513	0.4
TOTAL	$406,340	100.0	$593,800	100.0	$805,696	100.0

SOURCE: Defendants' Answer to Interrogatory 10(A).

THE FIRST NATIONAL BANK OF SOUTHGLENN
INCOME BY ACCOUNTS, 1967-1969

Account Title	Year Ended December 31, 1967 Amount	1967 %	1968 Amount	1968 %	1969 Amount	1969 %
Interest on Loans:						
Commercial	$114,811	53.4	$162,811	54.1	$205,166	48.8
Real Estate	14,096	6.6	20,692	6.9	8,601	2.0
Installment	25,083	11.7	34,585	11.5	54,202	12.9
Federal Funds Sold	-	-	1,473	0.5	34,251	8.1
Service Charges on Loans	694	0.3	807	0.3	1,307	0.3
Interest and Dividends on Securities:						
U. S. Securities	10,431	4.8	17,998	6.0	31,408	7.5
Municipal Securities	-	-	-	-	5,564	1.3
Dividends - Federal Reserve Bank Stock	405	0.2	405	0.1	405	0.1
Service Charges on Deposit Accounts:						
Regular Accounts	22,724	10.6	30,600	10.2	40,224	9.6
Special Accounts	6,639	3.1	8,323	2.8	8,644	2.1
Returned Items & Overdraft Charges	15,496	7.2	16,281	5.4	23,563	5.6
Exchange & Collection Fees	1,613	0.7	2,280	0.8	2,299	0.5
Safe Deposit	1,463	0.7	2,086	0.7	2,877	0.7
Sundry Income	1,701	0.8	2,648	0.9	2,248	0.5
TOTAL	$215,156	100.0	$300,989	100.0	$420,759	100.0

SOURCE: Defendants' Answer to Interrogatory 10(A).

Feb. 28, 1969

Bruce,

Here are copies of the charts you requested.

The first chart is the annual average of total deposits of the five downtown banks and a projection of their deposits thru 1972. The projections, based on the assumption that the same forces which have influenced deposit growth for the past nine years continue, portray yearly deposit growth as follows:

FNBD	- $24,500,000
Dvr-U.S.	- 18,000,000
Colo.	- 11,200,000
Central	- 8,900,000
American	- 6,600,000

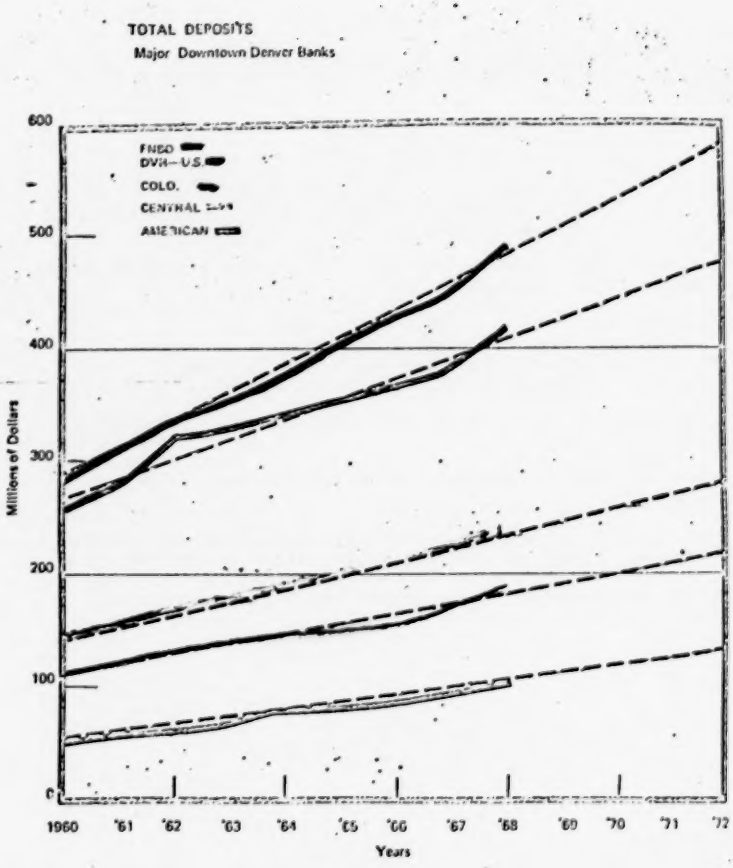
The second chart represents the yearly dollar increase of total deposits with 1960 as a base. For example:

FNBD Deposits, 1961 − FNBD Deposits, 1960 = $ Increase, 1st year ; FNBD Deposits, 1962 − FNBD Deposits, 1960 = $ Increase, 2 years , etc.

The purpose of this chart is to show the amount of new deposit dollars obtained by each bank.

The third chart represents the same calculations for time and demand deposits.

Also attached is one copy of the chart of FNBD & Denver U.S. monthly demand deposits for the last three years and a projection thru 1969. Again, this merely shows the trends that have been established which indicates Denver U.S. demand deposits increasing more rapidly that the First's.


TOTAL DEPOSITS
Major Downtown Denver Banks
FNBD
DVR—U.S.
COLO.
CENTRAL
AMERICAN
Millions of Dollars
600
500
400
300
200
100
0
1960
'61
'62
'63
'64
'65
'66
'67
'68
'69
'70
'71
'72
Years

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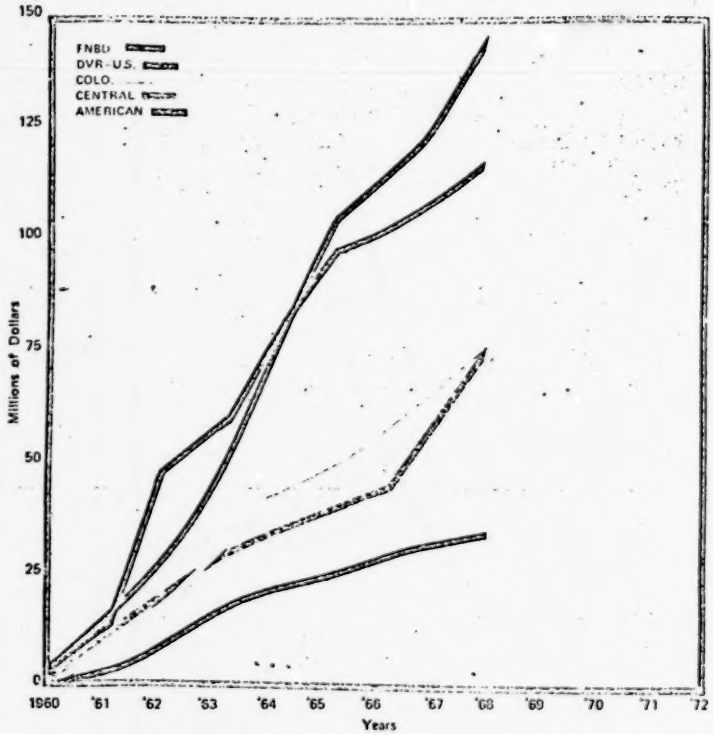
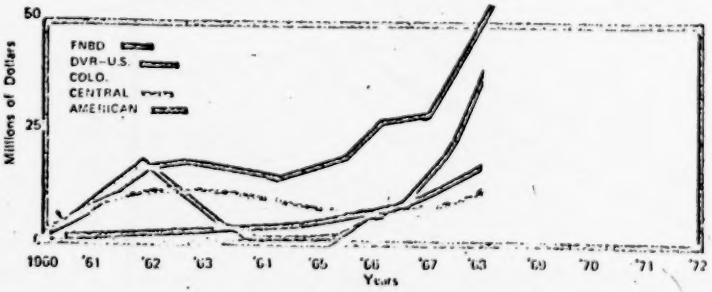
DOLLAR INCREASE -- TOTAL DEPOSITS

1960 Base

DOLLAR INCREASE -- TIME DEPOSITS
1960 Base



DOLLAR INCREASE -- DEMAND DEPOSITS
1960 Base



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PLAINTIFF'S EXHIBIT 21

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DEPOSITS OF THE FIVE LARGEST BANKS IN THE CITY (AND COUNTY) OF DENVER AND THE DENVER SMSA,[1] DECEMBER 31, 1969
(Dollar amounts in thousands)

	Total Deposits	% of Denver County	% of Denver SMSA[1]
First National Bank of Denver	$ 507,340	25.3	19.6
United Bank of Denver, N.A.	473,836	23.7	18.3
Colorado National Bank	283,687	14.2	11.0
Central Bank & Trust Co.	209,624	10.5	8.1
American National Bank	130,873	6.5	5.1
TOTAL: 5 Largest Banks	1,605,360	80.2	62.1
TOTAL: All Banks in Denver County	2,000,633	100.0	77.4
TOTAL: All Banks in Denver SMSA[1]	2,584,185	—	100.0

[1] The Denver SMSA includes the Counties of Denver, Adams, Arapahoe, Boulder and Jefferson.

SOURCE: Polk's *Bank Directory*, March 1970.

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Interrogatory 2

For the period January 1, 1966 to date, state for (A) Bancorporation, (B) each subsidiary bank of Bancorporation, (C) each non-bank subsidiary of Bancorporation, and (D) FNB Greeley:

(1) The name or designation of each department of each of the above and a description of its functions.
(2) The name and title of the person in charge of each such department at any time during such period of time.
(3) The name and title of each officer of each of the above during such period of time and a description of the duties and responsibilities of each such officer.

See attached sheets

* * * * *

The First National Bank of Denver is divided into the following seven departments:

1. Commercial Loan Department
2. Correspondent Bank Department
3. Operations Department
4. Business Development Department
5. Personnel Department
6. Trust Department
7. Bond Department

The attached organizational chart shows the reporting relationships of each of these departments, some limited breakdowns or subdivisions within the departments and all of the officers as of February 1970.

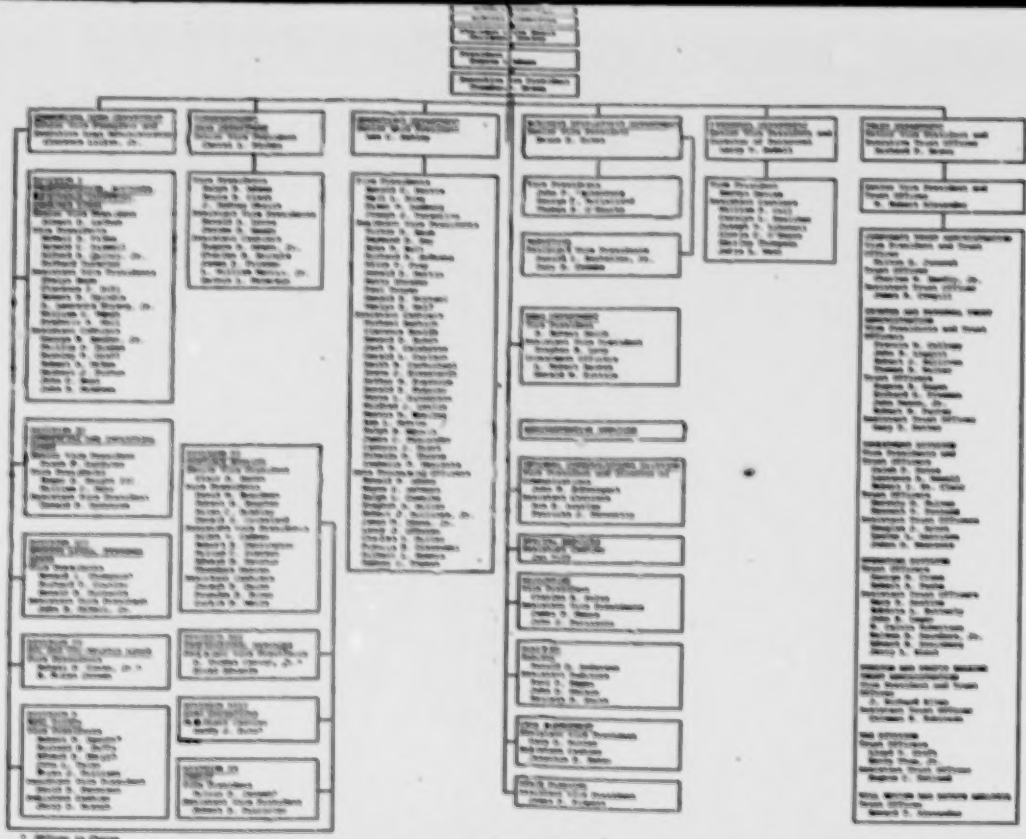
In response to the interrogatory, the functions of these seven departments will be defined and following each definition, the officers' duties and responsibilities since 1966 are listed.

NOTE:

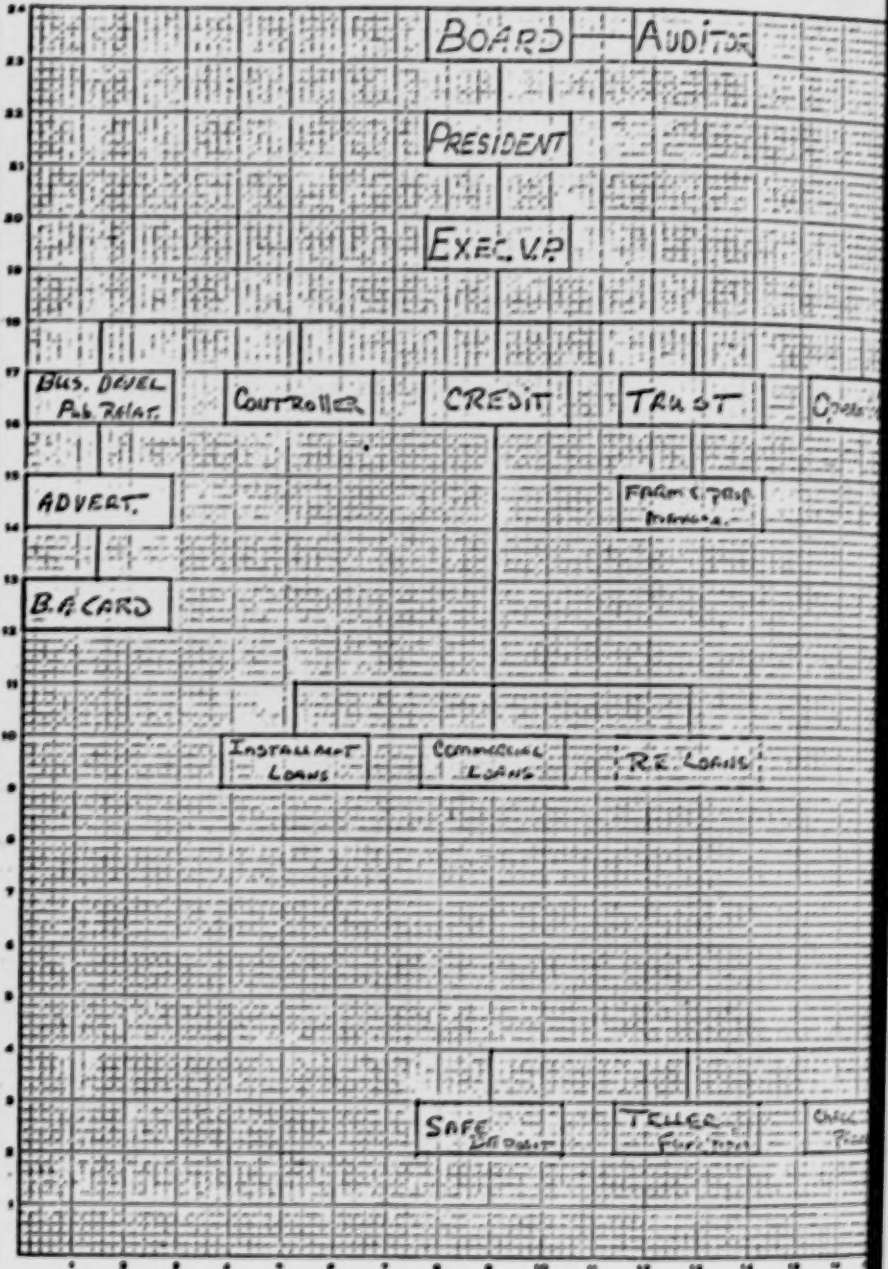
1. Several realignments have taken place in the bank since 1966 which resulted in different reporting relationships and officer responsibilities. As an example, the Commercial Loan Department underwent a major divisional realignment on December 31, 1969. This realignment resulted in certain

divisions being added to the Commercial Loan Department (i.e., Mortgage Banking Division, International Division, Real Estate Division, Instalment Loan Division and the Credit Card Division). Prior to December 31, 1969 each commercial loan officer was responsible for all type loans. As a result of the division, specific lending functions were assigned to individual officers as is shown on the organizational chart.

2. Since 1966 many officers have moved within a department resulting in changes in responsibilities and some have moved between departments and assumed an entirely different set of duties and responsibilities.



ORGANIZATIONAL CHART FIZ 2-1-69



Interrogatory 2

The First National Bank of Greeley:

(1) The following departments comprise the organizational structure of The First National Bank of Greeley. (See attached Organizational Chart.)

OPERATIONS DEPARTMENT

Overall supervision of the operations and personnel of the following banking functions:

1. Teller line, consisting of all those personnel engaged in receiving deposits for demand and time accounts including Christmas Club, Vacation Club and the necessary check cashing and disbursement of funds withdrawn from those accounts. It further includes the sale of Savings Bonds, travelers checks, the handling of incoming and outgoing collections, the sale of bank drafts, personal money orders, cashier's checks, processing of bank-by-mail receipts, handling of those items received in the night depository.
2. Check Processing, includes the entire bookkeeping function, proof and transit, filing of all on-us items, preparation and mailing of bank statements, both for demand and time accounts, verification of signature on-us items and other related duties in this regard.
3. Further, under the Operations Department is the safe deposit function which includes the necessary renting to new customers the safe deposit box as well as following the proper procedures for admitting existing customers into the vault to obtain their safe deposit boxes, taking the necessary security measures in accomplishing this task.
4. In the Operations Department, the chief operations officer is the personnel officer and in charge of interviewing, hiring, and is Chairman of the Personnel Committee which handles the salary administration of the non-officer staff.

(2) The name and title of the person in charge of the Operations Department at any time January 1, 1966 to date:

A. M. Gillespie, Cashier, January 1, 1966 to January 23, 1969.

Richard J. Read, Cashier, January 23, 1969 to date.

(3) The name and title of each officer of the Operations Department, January 1, 1966 to date and a description of the duties and responsibilities of each such officer:

Richard J. Read, Assistant Cashier, in charge of check processing January 1, 1966 to March 15, 1967. From March 15, 1967 to January 23, 1969 Mr. Read was Assistant cashier in charge of the teller function.
Norman B. Wood, Assistant Cashier, in charge of check processing from March 15, 1967 to date.
Alvin E. Vonfeldt, Assistant Cashier, in charge of the teller function from January 1, 1966 to March 15, 1967.
David A. Kliewer, Assistant Cashier, in charge of the teller function from January 1, 1970 to date.

TRUST DEPARTMENT

(1) The Trust Department is in charge of handling all the Trust Services as outlined in Interrogatory 3, maintaining the necessary internal accounting system to properly administer those services, safe guarding all trust assets, working towards the developing of new trust business in existing trust fields and in new trust areas.

(2) The name and title of the person in charge of the Trust Department at any time January 1, 1966 to date:

Louis C. Rieker, Vice President and Trust Officer, January 1, 1966 to date.

(3) The name and title of each officer of the Trust Department, January 1, 1966 to date and a description of the duties and responsibilities of each such officer:

Russell F. Billings, Vice President and Farm Manager —fieldman in charge of all fieldwork on farms managed under both agency and fiduciary capacity during the entire period.
Russell K. Haney, Assistant Trust Officer, working in the area of personnel supervision and trust administration within the department, from July 1, 1967 to date.

COMMERCIAL LOAN DEPARTMENT

(1) Is responsible for the overall supervision of the loan portfolio both in the Commercial Loan Department as well

as the Instalment Loan Division. This includes the supervision of the personnel involved ensuring proper loan interviewing, taking loan applications, credit investigations, maintenance of the necessary collateral files, credit files and other related files, with the follow-up collection procedures as may be necessary.

(2) The name and title of the person in charge of the Commercial Loan Department at any time January 1, 1966 to date:

Curtis S. Slife, Senior Vice President, January 1, 1966 to date.

(3) The name and title of each officer of the Commercial Loan Department, January 1, 1966 to date and a description of the duties and responsibilities of each such officer:

James B. Gronstal, Vice President and Commercial Loan Officer from October 21, 1968 to date.

A. R. Miller, Vice President and Commercial Loan Officer from January 1, 1966 to date.

R. W. Pappenheim, Vice President and Commercial Loan Officer from June 19, 1967 to date.

Dale J. Bristow, Assistant Vice President and Commercial Loan Officer from January 1, 1966 to date.

Virgil J. Mathews, Assistant Vice President and Commercial Loan Officer from November 1, 1966 to date.

Charles G. Carlson, Vice President and Commercial Loan Officer from January 1, 1966 to September 30, 1968.

Frank W. Peterson, Vice President and Commercial Loan Officer from January 1, 1966 to December 31, 1966.

All the Commercial Loan officers outlined above are specifically responsible for servicing individual loan accounts in accordance with the loan responsibilities as outlined in question (1) of this interrogatory.

Robert W. Pappenheim, Assistant Cashier and Agricultural Fieldman from January 1, 1966 to June 19, 1967.

John L. Long, Jr., Assistant Cashier and Agricultural Fieldman from June 19, 1967 to date.

The duties of the Agricultural Fieldman pertain to the

necessary field inspection as appraisal work both of crops and livestock as well as real estate.

Instalment Loan Division:

Loren L. Gale, Assistant Vice President from January 1, 1966 to date.

George Wolfe, Jr., Assistant Vice President from January 1, 1966 to date.

Alvin E. Vonfeldt, Assistant Cashier from March 15, 1967 to April 24, 1970.

These officers are responsible for servicing the individual instalment loans both direct and indirect following the guidelines that were outlined in question (1) of this interrogatory.

CONTROLLER

The Controller is responsible for the overall administration of the bank's books, ensuring that the necessary information is maintained on the General Books of the bank for all internal accounting procedures for ultimate use by the tax accountant. He is responsible for ensuring the necessary reports are prepared for the F.D.I.C., the Comptroller of the Currency and other related agencies. A separate department for Controller was established January 23, 1969.

(2) The name and title of the person in charge of this department at any time January 1, 1966 to date:

A. M. Gillsepie, Vice President and Controller, January 23, 1969 to date.

BUSINESS DEVELOPMENT AND PUBLIC RELATIONS

(1) This department is in charge of the overall advertising and public relations of the bank with regard to business development, customer solicitation, call program on existing accounts and other related matters in this regard. This department is also in charge of administering the bank's BankAmericard endeavors.

(2) The name and title of the person in charge of the Business Development and Public Relations Department at any time January 1, 1966 to date:

Thomas E. Fitzgerald, Assistant Vice President, from January 1, 1966 to August 16, 1970.

Ogden M. Williams, Vice President, April 15, 1970 to date.

AUDIT DEPARTMENT

(1) The Auditor is responsible directly to the Board of Directors. His functions are to conduct the necessary internal audits of all the departments within the bank to ensure that the sound banking practices are being adhered to and that policies set forth by the Board of Directors are being followed.

(2) The name and title of the person in charge of the Audit Department at any time January 1, 1966 to date:

Author L. Haviland, Auditor, January 1, 1966 to date.

ADMINISTRATION

Robert M. Gilbert, President and Chief Executive Officer, January 1, 1966 to present. In overall charge of all the departments.

Rex C. Eaton, Jr., Executive Vice President and Chief Administrative Officer, January 1, 1966 to present. Responsibilities are to see that all departments function in the best interest of the bank under the policies set forth by the Board of Directors.

Interrogatory 3

(A) List and describe each service (e.g., regular checking accounts, special checking accounts, savings accounts, trust services, commercial loans, personal installment loans to purchase automobiles, safe deposit boxes, dividend collection, trustee for pension plan, transfer agent, and services to other commercial banks) offered by Bancorporation at any time during the period January 1, 1966 to date.

* * *

Until such time as the Bancorporation achieves considerably broader geographic dispersion, The First National Bank of Denver will remain the vehicle, for the most part, for the specialized advisory services which ultimately will be performed by the corporation itself, when the size of the subsidiaries becomes more proportionate. These include improved trust and investment advisory services; expanded real estate financing, i.e., ability to provide construction loans and to obtain funds for long-term lending; expansion of computer and banking operations; specialized commercial lending advice; recommendation for the purchase and/or sale of securities; provision for international banking services; business development, as it relates to new business referred by the larger bank; marketing advice; advertising and public relations assistance; and improved management and placement training programs. If the corporation's present plans for structured and geographic dispersion mature, it is probable that certain advisory staff as delineated above will be transferred to the corporation in order to provide these services on a more direct basis.

Services:

1. Bancorporation will be of material aid in helping subsidiary banks broaden the services they offer to the public and to place additional services at their disposal. Exemplary of this is the Mortgage Banking Division of The First National Bank of Denver which is extremely active in mortgage lending in the Denver Metropolitan Area.

The Hamilton Corporation will provide, as between the subsidiaries, uniformity of computer operations, including a possible centralizing of such operations, and can provide

banks with the services of computer experts at much less cost than their own full time employment of such experts.

2. The holding company will provide uniformity of auditing and accounting procedures and serve as a catalyst between subsidiary units in providing this uniformity. For example, with our present four units, an Assistant Auditor from The First National Bank of Denver spends much of his time auditing the operations of our present three suburban subsidiaries.

3. The aggregate lending limits of all subsidiaries are available to serve large borrowing customers.

4. As a subsidiary of The First National Bancorporation, through public financing, member banks have a substantial source of additional capital whenever needed rather than being forced to provide their own capital funds within a narrow market.

5. In the area of trust operations, Bancor, through The First National Bank of Denver, will be able to be of material benefit to any member bank. The First National Bank of Denver now has one of the twenty largest Trust Departments in the United States and an Investment Division which is considered second to none, as has been demonstrated by the performance of its seven common funds.

6. In the personnel area, the holding company offers opportunities for advancement, training and self-improvement which are not confined to one office only but may arise in any one of several units, and provides opportunities for uniform salary administration, work measurement, job evaluation and classification, training programs, utilization of computerized payroll procedure, and movement of officers and other personnel between units as the opportunity and desire may arise. This is not a mandatory matter but one of broad discretion.

7. Bancorporation has the ability to provide management for subsidiaries as needed. Although it has no "stable" of idle bank executives awaiting assignment, a larger entity, such as the holding company, can attract specialists in any specific banking area much more easily than can an individual bank. Specialists on hand can, of course, train additional staff and supervise personnel entering that specialty.

8. Bancorporation can provide uniformity of pension and profit sharing plans as well as all fringe benefit programs.

9. Bancorporation can help member banks obtain national

accounts. First National has traditionally been a wholesale bank with an unusual number of national accounts and credits, and is the depositary for many of the largest local and regional companies.

D - FNB Denver
NG - FNB Northglenn
SG - FNB Southglenn
BV - FNB Bear Valley
G - FNB Greeley

OPERATIONS DEPARTMENT

Administrative Services

Bookkeeping Division

		D	NG	SG	BV	G
1. Medical Billing	1.					x
2. Monthly statement	2.	x	x	x	x	x
3. Checkbook orders	3.	x	x	x	x	x
4. Reconcilement Plan	4.	x	x	x	x	
5. Record account Personal and Business	5.	x	x	x	x	

Business Accounts

1. Computer payroll plan	1.	x			x	x
2. Customer conference and meeting rooms	2.	x		x	x	x
3. Change Order	3.	x	x	x	x	x
4. Night Depository	4.	x	x	x	x	x
5. One check payroll plan	5.	x			x	x

Cash Items Division

1. Federal Funds transaction	1.	x				
2. Money transfer—including Bank Wire	2.	x	x	x	x	x
3. Payable through drafts	3.	x	x		x	x
4. Processing return checks	4.	x	x	x	x	x
5. Runner Service	5.	x				

Check Processing Division

1. Automatic Savings Plan	1.	x	x	x	x	x
2. Lock Box Operation	2.	x				x
3. Mail	3.	x	x	x	x	x
4. Proof	4.	x	x	x	x	x

Collection Division

1. Accept collection items	1.	x	x	x	x	x
2. Act as collecting agent	2.	x	x	x	x	x

		D	NG	SG	BV	G
3. Cashiers Checks	3.	x	x	x	x	x
4. Personnel Bank money orders	4.	x	x	x	x	x
5. FICA and Corporate Taxes	5.	x	x	x	x	x
6. U. S. Savings Bonds	6.	x	x	x	x	x
7. Travelers Checks	7.	x	x	x	x	x
Customer Relations						
1. Central Information Service	1.	x				
2. Research customer account	2.	x	x	x	x	x
history	3.	x	x	x	x	x
3. Pre-authorized insurance draft	4.	x	x	x	x	x
4. Solving service problems						
Data Processing						
1. Accounting and Recording	1.	x	x	x	x	
Services	2.	x	x	x	x	
2. Sales and Servicing	3.	x	x	x	x	
3. Soft-Ware Marketing						
Demand Deposits						
1. Checking Account—	1.	x	x	x	x	x
Commercial	2.	x	x	x	x	x
2. Checking Account—Regular	3.	x	x	x	x	x
3. Checking Account—Special	4.	x	x	x	x	
4. Free Account	5.	x	x	x	x	x
5. Minimum Balance						
Safekeeping						
1. Accept and deliver all types	1.	x	x	x	x	x
of Securities	2.	x			x	x
2. Coupons	3.	x				x
3. Escrow Agent	4.	x				x
4. Exchange offerings	5.	x				
5. Safekeeping for Correspondent	6.	x	x	x	x	x
6. Treasury Bills	7.	x	x	x	x	x
7. Transfer, register and	8.	x	x		x	x
liquidate stock						
8. Submit Securities for payment						
and redemption						
Time Deposits						
1. Blue Ribbon Savings	1.	x				x
2. Certificate of Deposit	2.	x	x	x	x	x
3. Christmas Club Accounts	3.	x	x	x	x	x

	D	NG	SG	BV	G
4. Investment Time Certificate	x	x	x	x	x
5. Regular Savings Accounts	x	x	x	x	x
6. Winner Certificates	x				
Other Services					
1. Auto Banking	x	x	x	x	x
2. Bank-by-mail	x	x	x	x	x
3. Customer parking	x	x	x	x	x
4. Notary Public Service	x	x	x	x	x
5. Safe Deposits	x	x	x	x	x
6. Statistical Information	x	x		x	x
BUSINESS DEVELOPMENT DEPARTMENT					
1. Advertising	x	x	x	x	x
2. Acquisition and merger services	x				
3. Assistance to Customers with Bank Operating Problems and Complaints	x	x	x	x	x
4. Cash Management Advice to Business	x	x		x	x
5. Contact with Customers and Prospects	x				x
6. Corporate and retail marketing research	x				
7. Corporate Newcomer Services	x	x	x	x	x
8. Executive Placement Service	x	x	x	x	x
9. Industrial Development	x				
10. Mailing Surveys	x	x	x	x	x
11. Nation-Wide Contact with Correspondent Banks	x	x	x	x	x
12. Participating in Civic Organizations	x	x	x	x	x
13. Participation in banking affairs	x	x	x	x	x
14. Personal Newcomer Services	x				
15. Presenting "Colorado Economic Forecast" Program	x				
16. Referrals to banks	x	x	x	x	x
17. Referrals to businesses and Individuals	x	x	x	x	x
18. Stockholder relations	x	x	x	x	x

		D	N	G	S	G	B	V	G
Bond Department									
1. Analyses of special tax problems	1.	x							
2. Bond consultation service	2.	x					x		x
3. Bond Analysis	3.	x							
4. Buy and sell municipal and government bonds	4.	x		x			x		x
5. Commercial Paper	5.	x					x		
6. Management	6.	x			x		x		x
Personnel Department									
1. Cross Selling	1.	x		x		x		x	x
2. Jobs Program	2.	x							
3. Medical	3.	x							
4. Sales Training	4.	x					x		x
5. Utility and Reserve Work Force	5.	x			x				x
Commercial Loan Department									
Division I									
1. Transportation Loans	1.	x			x		x		x
2. Accounts Receivable Loans	2.	x		x		x		x	x
3. Minority Lending Program	3.	x							
4. Direct Personal Installment Loans	4.	x		x		x		x	x
	5.	x		x		x		x	x
5. Indirect Personal Installment	6.	x		x		x		x	
6. Lease Company Loans	7.	x		x				x	x
7. Floor Plan Loans	8.	x		x		x		x	x*
8. Master Charge Credit Card	9.	x		x		x			x
9. Reserve Account	10.	x		x		x		x	
10. Photo Identification	11.	x		x		x		x	
11. Check Guarantee Card	12.							x	x
12. Revolve Account									
Division II									
1. Commercial Loans	1.	x		x		x		x	x
2. Seasonal Loans	2.	x		x		x		x	x
3. Term Loans	3.	x		x		x		x	x
4. Customer Contact	4.	x		x		x		x	x

* Agent Bank for BankAmericard (January 1, 1966-Present).

		D	NG	SG	BV	G
Division III						
1. Broker Loans	1.	x			x	
2. Personal Loans—Unsecured,	2.	x	x	x	x	x
Secured, Guaranteed,	3.	x				
Endorsed						
3. Service Loans						
Division IV						
1. Oil and Oil Related Loans	1.	x				
Division V						
1. Construction Loans	1.	x	x	x	x	x
2. Conventional Loans	2.	x	x	x	x	x
3. Veterans Administration	3.	x	x		x	x
Loans	4.	x	x		x	x
4. Federal Housing	5.	x			x	x
Administration	6.	x				
5. Mortgage Banker Loans	7.	x				
6. Originate and Service Loans	8.	x			x	
for Other Investors	9.	x				x
7. Real Estate Counseling	10.	x	x		x	x
8. Assist Companies in Property	11.	x	x		x	x
9. Management of Properties						
Held in our Trust Department						
10. Real Estate Appraisals						
11. Indirect Real Estate Loans						
Division VI						
1. Mortgage Banking	1.	x	x		x	x
Division VII						
1. Foreign Remittances	1.	x	x	x	x	x
2. Acceptance Financing	2.	x				
3. Provide Advances Against	3.	x	x		x	
Collections	4.	x	x		x	c
4. Provide Commercial Letters of	5.	x				c
Credit						
5. Export Credit Insurance and	6.	x	x	x	x	c
Guarantees	7.	x	x		x	
6. Assist Customers in Foreign	8.	x			x	
Collections	9.	x	x		x	c

* Through Correspondent.

		D	NG	SG	BV	G
7. Foreign Correspondents	10.	x				
8. Foreign Credit Information and Investigation	11.	x			x	
	12.	x	x	x	x	x
9. Foreign Exchange—Purchase and Sale	13.	x	x		x	x
	14.	x			x	
10. Foreign Trade Specialist	15.	x	x	x	x	
11. Forward Exchange Contracts						
12. Letters of Introduction						
13. Traveler's Letters of Credit						
14. Export Documentation						
15. Tip Packs						
Division VIII						
1. Loan Operations	1.	x	x	x	x	x
Division IX						
1. Credit Investions	1.	x	x	x	x	x
2. Loan Assistants	2.	x	x	x	x	x
3. Loan Analysis	3.	x	x	x	x	x
4. Loan Review	4.	x	x	x	x	x
Correspondent Banks						
1. Participations and Overlines	1.	x				x
2. Agricultural Loans	2.	x				x
3. Loans to Correspondent Bank Officers	3.	x				
	4.	x				x
4. Operations Assistance to Correspondent Banks	5.	x				
	6.	x				
5. Personnel Assistance	7.	x				x
6. Special Services	8.	x				x
7. Credit Inquiries	9.	x				
8. Credit Analysis						
9. Policy Assistance to Correspondent Banks						
TRUST DEPARTMENT						
Pension Trust Service						
1. Agent for Individuals Trustees for Profit Sharing Plans or Pension Plans						

2. Specialized Employee Health and Welfare Services—Profit Sharing Trust
3. Trustee for Individual Self-Employed Retirement Plans
4. Trustee for Pension Plans
5. Trustee for Profit Sharing Plans

Personal Trust Services

1. Executor and Administrator of Deceased Persons' Estates
2. Trustee of Testamentary Trust created by Wills
3. Trustee under Living Trust Agreement
4. Trustee under Life Insurance Trust Agreements
5. Trustee of Institutional and Community Trusts
6. Guardian of the Property of Minors and Mentally Competent Persons
7. Conservator of the Property of Mentally Ill Persons
8. Agent under Custody and Safekeeping Instructions
9. Investment Management Agent
10. Estate Planning and Financial Advisory Services
11. Custodian under Uniform Gifts to Minors Act
12. Conservator of Property of an Absentee

Corporate Trust Services

1. Trustee under Corporate Indentures
2. Paying Agent
3. Fiscal Agent
4. Conversion Agent
5. Bond Registrar
6. Exchange Agent
7. Depository

8. Liquidating Trustee
9. Cremation Agent
10. Miscellaneous Trustee Services
11. Transfer Agent
12. Registrar
13. Dividend Disbursing Agent
14. Warrant Agent
15. Order Form Agent
16. Conversion Agent
17. Exchange Agent
18. Sinking Fund Agent
19. Redemption Agent
20. Proxy Tabulating Agent
21. Scrip Agent
22. Custodian for Regulated Investment Companies
23. Custodian and Trustee under Self-Employed Individuals Retirement Plans of Mutual Funds
24. Custodians under Corporate Pension and Profit Sharing Plans of Mutual Funds
25. Miscellaneous

Bookkeeping Division

1. *Medical Billing* (January 1966-1968)

The medical billing system was geared to produce proper billing and delinquency notices for medical offices. Periodic reports included aging delinquency reports, payment notices, payment reports, etc.

2. *Monthly Statement*

Provides a monthly printed statement for each account.

3. *Checkbook Orders*

Processes customer's orders for checks and deposits. A variety of kinds and styles of checks for personal or business accounts.

4. *Account Reconciliation Plan*

The Account Reconciliation Plan is a data processing service which reconciles the customer's checking account for him by computer.

There are two basic plans. The *partial plan* encompasses only the paid items. The *full plan* encompasses paid and outstanding items. In both plans the account reconciliation statement lists checks in numerical sequence and paid checks show date of payment. In addition, the full plan lists outstanding checks showing the date of entry.

Upon request, a special interim statement will be issued (one day's notice is required). Duplicate statements will be issued if desired. Along with the statement the checks are sorted in numerical sequence.

5. *RecordAccount* (January 1968-Present)

RecordAccount is a checking account with a built-in recordkeeping service. Code numbers are set up for each type of expense and income the customer has. The customer may have as many as 96 classifications and ten subtotals.

RecordAccount provides a consistent, neatly recorded transcript of daily transactions, classified and totaled to the customer's specifications. It also maintains year-to-date totals of the various groups of receipts and disburse-

ments, which is invaluable at tax time. The monthly reports, showing current and year-to-date totals, provide a good financial picture and are an excellent budget aid. We produce reports from cancelled checks and deposit tickets; therefore, we provide the service at minimal cost and much faster than an outside service could. In addition, we provide special entry forms which permit additional entries to an account at any time.

Business Accounts

1. *Computer Payroll Plan*

Processes current payroll information of customers of subsidiary banks as well as correspondent banks and their customers. Produce payroll checks or automatic deposits and appropriate registers giving a complete breakdown of earnings and deductions.

2. *Customer Conference and Meeting Rooms*

Meeting room made available to customers, companies or organization which the necessity arises.

3. *Change Order*

A coin and currency service made available particularly to those businesses who use a large volume of change.

4. *Night Depository*

Night depository is a service for businesses that cannot come to the Bank during the regular banking hours. The depositor receives a lock bag and key to be used for making deposits after hours in the night depository.

There are two plans available——

Bailment—Bag is kept until the customer comes into the Bank the following day and picks it up. The customer may make a deposit himself at that time if he wishes. (The customer is not required to make a deposit; some customers just use the night depository to protect funds.)

Bailment and Depository—The Bank opens the bag and makes the deposit for the customer.

5. *One Check Payroll Plan* (January 1967-Present)

One total payroll check is submitted to the Bank which in turn deposits the amount of each of the customer's employees pay in their account.

Cash Items Division

1. *Federal Funds Transaction*
Federal Funds are bought and sold to country banks.

2. *Money Transfer—Including Bank Wire*
Customers may transfer funds to almost any part of the world by wire.

3. *Payable-Through-Drafts*
A payable-through-draft is a type of draft which is issued by the customer (drawer) to a third party in place of a check. Payable-through-drafts are used by large companies who would ordinarily write many checks daily.
Each day we return the drafts which have been presented to us for payment to the customer (drawer). He then writes one check to cover the total amount of the drafts presented that day.

4. *Processing Return Checks*
Processing checks or other items for our own bank, for our associate banks, for Denver Clearing House banks, and for our own Transit Department.

5. *Runner Service*
Is provided to bank departments, individuals and corporate customers, brokers, investment houses and banks in downtown area.

Check Processing Division

1. *Automatic Saving Plan*
It is possible to transfer funds from one account to another without writing a check or withdrawal. Simply inform the Bank of the desired transfer. This can be done on a regular basis.

2. *Lock Box*
Lock Box, or Post Office Remittance Plan, is a plan in which our depositor has his customers remit payments which are owed to him (e.g., charge account payments) directly to a post office box. The post office box is rented by the depositor but the bank has sole access to the box and operates under the instructions of the depositor. The FIRST picks up customer payments from the post office box several times daily on a regularly scheduled basis. Payments are deposited to our customer's account. A record

of payments and an advice of credit are then forwarded to the depositor.

Operation of the Lock Box Plan can be adjusted or custom made to meet the requirements of the depositor.

3. *Mail*

Receiving, sorting and delivering incoming mail and sealing affixing proper postage and delivering to postal services, all outgoing mail.

4. *Proof*

Central proof processing, receives, balances and forwards for final payment or credits a customer's account all debits and credits.

Collection Division

1. *Accept Collection Items*

Collection items are accepted through the mail and over the counter. They include oil drafts, security drafts, customer drafts, trade acceptances and checks.

2. *Act as Collecting Agent*

Installment notes may be placed in the Collection Division by the owner, requesting the bank to act as collecting agent.

3. *Cashiers Check*

Checks drawn by us on our own Bank; commonly used by business firms when a bank check is preferred or required.

4. *Personal Bank Money Orders*

Used in place of a check. A money order identifies the purchaser and provides him with a receipt of payment.

5. *FICA and Corporate Taxes*

The Internal Revenue Service issues an IBM card which the customer submits to the Collection Division along with his check. The checks are processed for payment and credit is given to the Federal Reserve Bank along with the cards for credit to the I.R.S.

6. *U. S. Savings Bonds*

These are sold and redeemed for individual customers. Business customers are furnished bonds for payroll deduction plans.

7. *Travelers Checks*

They provide a safe convenient way to carry money while traveling either domestically or abroad. We carry three types: American Express, First National City Bank and Bank of America Travelers Checks.

Customer Relations

1. *Central Information Service*

This system provides video and audio direct communication with computers for the purposes of providing authorized bank personnel with a profile of the business a customer has with an individual bank. This system also provides bank personnel with detailed information of balance files for checking, savings, time certificate, installment, and commercial loan accounts.

2. *Research Customers Account History*

Frequently, research is done on special customer problems regarding lost statements or checks or providing information on transactions which occurred sometime in the past.

3. *Pre-authorized Insurance Draft*

Establishes procedures and follow-ups for processing pre-authorized insurance drafts. This is authorization from customers for the bank to make regular premiums and payments on insurance policies and debit their account automatically.

4. *Solving Service Problems*

Provides a problem solving service for customers ranging from assistance with reconciling accounts to setting up special handling instructions on accounts.

Data Processing Division

1. *Accounting and Recording Service*

In addition to the functions performed for First National Bank, the Computer Operations Section performs the following accounting and recording services for approximately 30 other banks and to other bank customers.

A. *Demand Deposit Accounting*:

Processing checks and deposits on a correspondent bank's individual demand deposit accounts. This in-

cludes the posting of items to these accounts and numerically sorting and listing such items. Various reports, including individual statements for the customer, are also a part of this service.

B. *Saving Accounting*:

Processing of deposits and withdrawals on the bank's customer accounts, calculation of interest on these accounts, and the preparation of reports and statements.

C. *Time Certificate Accounting*:

Maintaining time certificates, computation and payment of interest and notification of maturities on such certificates.

D. *Instalment Loan Accounting*:

Maintaining individual loan records, produce coupons and process monthly payments. This system includes necessary divisions of dealer purchased instalment paper as well as bank originated loans.

E. *Commercial Loan Accounting*:

Process a correspondent bank's commercial loan customer's payment and produce interest and principal payment notices together with various reports including reports for participated loans.

F. *Customer Payroll*:

Process current payroll information to Correspondent banks and their customers with payroll checks or automatic deposits and appropriate registers giving a complete breakdown of earnings and deductions. This system also maintains year-to-date totals and provides all payroll customers with quarterly and annual government reports.

G. *Account Reconciliation Plan*:

For large volume customers on the demand deposit accounting system, this additional service provides an automated means of reconciling individual accounts. This system produces a listing of paid and outstanding items on a scheduled basis for correspondent banks and their customers. This allows the customer to relate his checks paid back to his checks issued.

H. *Record Account*:

This system enables the agricultural, small business, or budget minded customers to code expenditures and income into various categories as these transactions take place. This information is then formated and furnished to the customer monthly, providing him detailed figures of monthly income and expenses as well as year-to-date totals. This service is available to correspondent bank customers.

I. *Revolving Credit*:

As an extension to the Demand Deposit system the customer is allowed to overdraw his account and have funds deposited in hundred dollar multiples to his checking account. Proper billing notices and late notices are also produced out of this same system for repayment purposes. This service is available to correspondent bank customers.

J. *Mortgage Loans*:

The mortgage and real estate loan system provides correspondent bank management with all reporting requirements necessary in the handling of mortgage loans. Daily, weekly, and monthly reports are produced out of this system as well as appropriate notices to the customer for billing purposes.

K. *Central Information System*:

The First National Bank of Denver has been deeply engaged in creating for itself and its correspondents an automated Central Information System. This system is now available at The First and to one of its correspondents. A description of this service is found under the heading of Customer Relation (1).

L. *Safe Deposit*:

The safe deposit system provides the correspondent bank with lists of safe deposit boxes in use by the dollar charges. Proper billing statements and delinquent reports are produced on a periodic basis.

M. *General Ledger Accounting*:

The accounting system is designed to provide the First National Bank of Denver and its correspondents with an automated means of handling general book entries. Periodic reports include balance sheet reports, profit and loss statements and trial balance

reports. This system is currently available to the First and its affiliates and will be offered to other correspondents in the near future.

2. *Sales and Servicing*

Marketing of data processing systems and services. Continued operation for customers and assistance in user installation, conversion, testing, implementation and post installation follow-up, covering all services performed.

3. *Soft-Ware Marketing*

Sells and implements specific systems to bank and others desiring to buy our system for their own subsequent independent use.

Demand Deposits

1. *Checking Accounts—Commercial*

A commercial checking account is used by business customers. These accounts tend to have a high volume of checks written and deposits made. Free accounts are not available to these accounts.

2. *Checking Accounts—Regular*

A regular checking account is a full service account suggested for customers writing six or more checks per month. The customer receives a monthly statement.

3. *Checking Account—Special*

A special checking account is most economical for persons who write only a few checks each month. The customer receives a monthly statement.

4. *Free Account* (December 26, 1969—Present)

The free account is a full service account available to individual customers who maintain a $1,000 balance in a time deposit account.

5. *Minimum Balance Account* (December 26, 1969-Present)

There is no service charge if the individual customer maintains a balance of $200 or more at all times in their checking account.

Safekeeping

1. *Accept and Deliver all Types of Securities*

Accept all types of securities and other instruments against receipt to include; U.S. Government issues, U.S

Government Agency issues Municipal Bonds, Stock, Time Certificates, Small Business Administration Note, Commercial Paper and personal promissory notes and deliver them from or to brokers or other banks for our customers with their authorization.

2. *Coupons*
Clip coupons when due on securities held for customers, credit account with proceeds or remit.

3. *Escrow Agent*
Act as escrow agent in handling and receipting for various securities pledged by our correspondent banks to various state and municipal depositors.

4. *Exchange Offerings*
Handle Treasury Bills, notes or other securities for our customers in regard to various exchange offerings by the Treasury Department.

5. *Safekeeping for Correspondent*
Provide safekeeping services for our due to Correspondent Banks.

6. *Treasury Bills*
Submit bids in behalf of our customers for purchase of Treasury Bills on the weekly auction held at Federal Reserve Bank.

7. *Transfer, Register and Liquidate Stocks*
Submit stocks for transfer, registration or liquidation on customers instructions.

8. *Submit Securities for Payment and Redemption*
Submit due customers' securities for payment according to their instructions or submit customers' securities for redemption when bonds are called for payment.

Time Deposits

1. *Blue Ribbon Savings Account* (June 1968-Present)
This is a long term growth account. The minimum deposit is only $1. The interest is 5% computed daily, compounded quarterly. All funds must be on deposit 90 days or more. Deposits may be made at any time, withdrawals may be made during the first ten days following interest payments.

2. *Certificates of Deposit*

These are time deposits issued for specific periods of time. $1,000 is the minimum amount for which a CD can be issued. CD's are not automatically renewable.

3. *Christmas Club Account*

This is a savings plan in which regular payments are made in order to provide for holiday expenses. The customer starts the plan in November and receives a check for the total amount on deposit the following November.

4. *Investment Time Certificates*

This is a time deposit issued for a definite time period. They must be in $1,000 increments and the minimum is $1,000.

5. *Regular Savings Account*

A Regular Savings Account requires only a $1 minimum deposit. Deposits and withdrawals can be made at any time.

6. *Winner Certificates* (January 1970-Present)

Winner Certificates are time deposits issued for specific periods of time (one or two years). Twenty-five dollars is the minimum amount for which a Winner Certificate can be issued.

8. *Executive Placement Services*

Interviewing men who desire positions in the executive level in Colorado and maintaining resume files. Maintaining contact with potential employers and referring likely prospects.

9. *Industrial Depevelopment Services*

Attracting new business to all of Colorado by participating in the Sell Colorado Mission, The Forward Metro Denver program, and by frequent personal calls on major businesses throughout the nation. Assisting Colorado banks by referring leads and making recommendations where banking outside Denver is needed.

10. *Mailing Survey*

Conducting a mailing survey to determine the mailing time from 50 major cities around the country to 20 receiving cities to determine optimum lock-box locations.

11. *Nation-wide Contact with Correspondent Banks*

Maintaining close relationships through personal visits

with correspondent banks throughout the country outside our immediate eight-state area. Providing services for these banks as well as calling on them for assistance with problems in their area.

12. *Participating in Civic Organizations and Public Spirited Activities*

Membership in Chamber of Commerce and civic clubs. Participation in fund drives and charitable organizations. Providing speakers on financial topics.

13. *Participation in Banking Affairs*

Active role in American Bankers Association and Bank Marketing Association. Providing faculty for University of Wisconsin Graduate School of Banking and Robert Morris Associates' Loan Management Seminar. Providing assistance to other banks in developing loan profitability analysis systems.

Other Services

1. *Auto Banking*

Drive-in windows allow the customer to transact business from his car.

2. *Bank-by-Mail*

Bank-by-mail makes it possible for customers to take care of banking business at home, at the office, or when traveling.

3. *Customer Parking*

Customers transacting Bank business are entitled to a half hour of free parking in the covered attended garage.

4. *Notary Public Service*

Several of the Bank's employees are Notary Publics for customers who need to have documents notarized.

5. *Safe Deposit*

Safe Deposit Boxes are available for customer rental to keep valuables safe in an attended vault. Boxes are available in 14 sizes.

6. *Statistical Information*

When requested, statistical information is provided to individuals, businessmen, educators, and public officials. Statistical information, such as volume of check clearings, is provided on a regular basis as primary data for construction of local economic indices.

Business Development Department

1. *Advertising*

Providing support for trade associations by advertising in trade publications and directories.

2. *Acquisition and Merger Services*

Providing the contact between firms and investors desiring to acquire business in this area, and available businesses. Maintaining files on potential acquirers and acquirees.

3. *Assistance to Customers with Bank Operating Problems and Complaints*

Providing personal service and a single contact to customers who have special needs or problems in their dealings with the bank.

4. *Cash Management Advice to Business*

Recommending lock boxes and concentration accounts and demonstrating the way these can increase collected funds for business.

5. *Contact with Customers and Prospects*

Maintaining personal contact to give the assurance that the customer or prospect is not merely a number, but an important person in our eyes. Suggesting new bank services and better ways to use present bank services. Financial counseling.

6. *Corporate and Retail Marketing Research*

Sharing results of marketing research with other banks.

7. *Corporate Newcomer Service*

Assisting businesses moving to this area by advising on availability of office and warehouse space, recommending real estate brokers, and assisting in arranging financing. Helping to transfer personnel by presenting an illustrated talk on Denver to company employees at their offices prior to transfer, assisting transferred employees in home acquisition and financing, helping employees transfer bank accounts and safe deposit box contents to their new banks.

14. *Personal Newcomer Services*

Providing "newcome kits" with maps, information on Denver, etc.; help in establishing new banking relationships and transferring accounts and safe deposit box contents; recommendation of doctors, lawyers, accountants, etc.

15. *Presenting "Colorado Economic Forecast" Program* (January 1968—Present)

Organizing and conducting this annual forum on the Colorado economy for a large group of business leaders.

16. *Referrals to Banks*

Referring new businesses and individuals to banks which are located in the newcomer's new location. Providing prospects for banks for their solicitation.

17. *Referrals to Businesses and Individuals*

Recommending banks that will best be able to serve newcomers to the area.

18. *Stockholder Relations*

Providing contact and information to stockholders of The First National Bank of Denver prior to the formation of The First National Bancorporation.

Bond Department

1. *Analyses of Special Tax Problems*

Assistance in determining the best manner of investing to meet the customer's tax needs.

2. *Bond Consultation Service*

Advises customers, corporations, commercial banks, and individuals of the most profitable investment of their funds.

3. *Bond Analysis*

Through the municipal bond analysis system, The First National Bank furnishes market values and accounting information to approximately 48 customer banks in a five-state area.

4. *Buy and Sell Municipal and Government Bonds*

The taxexempt municipal bonds, U. S. Government agency issues, U. S. Treasury obligations (bills, notes, and bonds) and Public Housing Authority Notes and Bonds (Government guaranteed) are bought and sold by the Bond Department.

5. *Commercial Paper*

Act as agents in the purchase, custody and collection of commercial paper for Bank customers.

6. *Management*

Manages the Government and municipal portfolios for The First National Bank of Denver.

Personnel Department

1. *Cross Selling* (January 1966—July 1967)

A program designed to familiarize employees with all of the services of the bank. Cross Selling is now known as the Sell First Program in connection with Sales training.

2. *Jobs Program* (June 1968—Present)

The JOBS Program is responsible for developing and implementing Bank policy of non-discrimination in all personnel actions per our Affirmative Action Policy.

3. *Medical*

The Medical area provides a registered nurse on the premises to assist ill employees, to monitor on-the-job accidents and make recommendations for future prevention of such accidents.

4. *Sales Training* (May 1970—Present)

Sales training is responsible for the Sell First Program and Management Sales training.

5. *Utility and Reserve Work Force*

It is the job of this area to build a reserve of variously skilled employees willing to work on a temporary, short-notice, hourly basis and to make this reserve available to supervisors who request the service.

Loans

Division I

1. *Transportation Loans*

As the name implies this type of loan is made on all modes of conveyances used to move goods and/or people. Loans in this section are usually subject to a term loan agreement with the equipment pledged as security.

2. *Accounts Receivable Loans*

Loans in this section are secured by a formal assignment of accounts receivable due the borrowing customer. Terms may vary depending upon the type of business being financed and the seasonal variations pertinent to the customer's method of operation.

3. *Minority Lending Program*

The First National Bank of Denver, in cooperation with the Colorado Economic Development Association, provides both managerial and financial assistance to minority group

businessmen. While the majority of the loans made have been guaranteed by the Small Business Administration, First National has made numerous loans on a direct basis. Since the program's inception in March, 1969, First National has made nearly fifty such loans representing total commitments in excess of $2,000,000.

4. *Direct Personal Instalment Loans*

This type of loan is used to finance the purchase of new and used vehicles and appliances. Home improvement, debt consolidation and education loans are also handled by this area. These loans may be collateralized or extended on signature only.

5. *Indirect Personal Instalment Loans*

In this section the Bank purchases loans from various dealers rather than lending to the consumer on a direct basis.

6. *Lease Company Loans*

Leasing companies borrow directly from the Bank in order to purchase numerous types of vehicles and equipment which are then leased to the general public.

7. *Floor Plan Loans*

The Bank finances inventories of vehicles and equipment for various dealers.

8. *Master Charge Credit Card*

Master Charge is a retail charge card used to purchase goods and services. The Bank advances funds to various merchants in paying for charges accrued under the Master Charge plan by its customers. The customer subsequently receives a direct billing from Master Charge and, by his option, may either pay the total amount due or make periodic payments. If the latter is chosen, the Bank carries the balance due on a regular instalment basis until such payments are made in full. (July 69 to Present)

9. *Reservaccount*

In this instance the customer signs an agreement with the Bank giving the Bank authority to make an advance under Master Charge (above) in order to prevent an overdraft condition arising on the customers checking account. (October 1969 to Present)

10. *Photo Identification*

The customer's photograph is attached to the back of

his Master Charge card for identification purposes. (July 1970 to Present)

11. *Check Guarantee Card*

The Bank will guarantee any check written by it's customer up to $100 when the merchant cashing the check conforms to certain requirements. This check guarantee authorization is also attached to the back of the Master Charge card together with the customer's picture. (July to Present)

12. *RevolveAccount*

This is a service offered to Bank customers with approve credit limitations wherein the Bank advances $100 increments to its customers to prevent an overdraft situation arising on the customer's checking account. (March 1968 to July 1970)

Division II

1. *Commercial Loans*

In this area loans are extended to commercial and industrial customers on a term or seasonal basis depending upon the customers' requirements. Loans may be either secured or unsecured depending upon the amount of money needed and the financial capabilities of the customer concerned.

2. *Seasonal Loans*

These loans are made to companies whose operating patterns are seasonal in nature and thus their credit requirements fluctuate in conjunction with such operations.

3. *Term Loans*

This type of loan is for a sum certain to be repaid over an extended period of time rather than a short term or seasonal basis.

4. *Customer Contact*

This is a service provided by the Commercial Loan Officers in connection with their lending duties as pertains particularly to National Companies. The close contact between the lending officer and the financial officer of such large companies enhances the Bank's ability to both serve and understand the larger concerns financial problems.

DIVISION III

1. *Broker Loans*

Loans in this area are extended to various securities brokers for the purpose of carrying inventory and establishing draft payment lines.

2. *Personal Loans—Unsecured, Secured, Guaranteed or Endorsed*

This Division loans funds to persons rather than companies for a myriad of financial purposes. Such loans may be made on a secured, unsecured, guaranteed or endorsed basis depending upon the financial capacities of the borrower and the purpose for which such funds will be used.

3. *Service Loans*

Loans are extended to various Bank customers in this area for the purpose of purchasing shares of various Mutual Funds and financing Life Insurance Premiums.

DIVISION IV

1. *Oil and Oil Related Loans*

Oil loans extended by this Division are term loans by their nature with repayment directly contingent upon estimated recoverable oil reserves. A secured position is maintained by taking an assignment of the borrower's interest in oil producing property.

DIVISION V

Loans in this Division pertain to a variety of real estate financing transactions.

1. *Construction Loans*

Loans are extended for financing the construction of all types of residential, commercial and industrial buildings usually with a take-out commitment, either internal or external.

2. *Conventional Loans*

Loans are extended for the acquisition or refinancing of residential, commercial or industrial buildings, such loans being based upon the borrower's ability to repay over the term of the loan.

3. *Veterans Administration Loans*

Loans are extended for the purchase of one to four family

dwelling units, such loans being guaranteed by the Veterans Administration. Because of the guarantee longer terms are possible than under conventional financing arrangements.

4. *Federal Housing Administration Loans*

Loans are extended under an insurance commitment by the Federal Housing Administration. As is the situation similar to Veterans Administration loans, longer terms and smaller down payments are permitted than under conventional real estate lending practices.

5. *Mortgage Banker Loans*

Loans are extended to numerous Mortgage Bankers for land development, construction, and warehousing of real estate loans prior to such loans being sold to a permanent investor.

Other services provided by this Division are:

6. *Originate and Service Loans for Other Investors*

The origination of real estate loans and the servicing of such loans are performed by this Division for the Trust Department of The First National Bank of Denver and for an insurance company.

7. *Real Estate Counseling*

This service is provided to Bank customers and potential customers in order to assist such persons in solving various real estate problems and answering questions which may arise.

8. *Assist Companies in Property Transactions*

Numerous services are provided in relation to listing of properties for sale, reviewing offers made and closing transactions for transferred employees of company customers.

9. *Management of Properties Held in Trust Department*

Numerous pieces of real property are held in trust by First National's Trust Department. This Division assists in the management of such properties, and duties include such functions as collecting rents, maintenance, leasing and listing of various properties for sale and handling the closing transactions when sales are concluded.

10. *Real Estate Appraisals*

An officer of First National is retained full-time as an appraiser. This officer is certified M. A. I. and makes ap-

praisals for both the Real Estate and Trust Departments of First National.

11. *Indirect Real Estate Loans*

This Division may extend loans to customers who have disposed of their real property and have advanced funds to the purchaser themselves. The note issued to the bank's customer by the purchaser is subsequently pledged to First National as collateral for additional customer borrowing.

DIVISION VI

1. *Mortgage Banking*

The Mortgage Banking Division of First National serves as an interim lender on real estate transactions. Loans are acquired from various sources and subsequently sold to permanent investors such as life insurance companies, pension plans and savings and loan associations. Funds are also advanced for construction of various types of buildings and, upon completion, the permanent loans are also sold to investors. This service provides millions of dollars for Colorado real estate growth and development through the utilization of funds not directly available within the State itself. (July 1968 to Present)

DIVISION VII

Services performed by this Division are as follows:

1. *Foreign Remittances*

The International Division assists its customers by reviewing documentation pertaining to foreign remittances for accuracy and by expediting prompt payments.

2. *Acceptance Financing*

This Division assists the bank's customers through the use of both trade and Banker Acceptances.

3. *Provide Advances Against Collections*

4. *Provide Commercial Letters of Credit*

5. *Export Credit Insurance and Guarantees*

This Division assists its customers in obtaining the services of the Foreign Credit Insurance Association which insures exporters against commercial and political risks guaranteeing payment for shipments made anywhere in the free world.

6. *Assist Customers in Foreign Collections*

7. *Foreign Correspondents*

The bank has a number of foreign correspondents throughout the world who can facilitate a traveler or businessman in collections, foreign credit information, etc.

8. *Foreign Credit Information and Investigation*

This division obtains for its customers current information on Trade and Exchange regulations as well as credit data on prospective foreign customers.

9. *Foreign Exchange—Purchase and Sale*

Assists bank customers in currency exchange.

10. *Foreign Trade Specialist*

The bank has expertise in foreign trade enabling it to advise its customers on the latest trade information, latest regulations and international law.

11. *Forward Exchange Contracts*

Such contracts are a method of buying or selling on a deferred basis foreign currencies which are subject to fluctuations in value relative to the value of the American dollar. The Bank agrees to either purchase or sell foreign currency for its customer's accounts at some future period.

12. *Provide Letters of Introduction*

13. *Provide Traveler's Letter of Credit*

14. *Export Documentation*

Since overseas shipments require specialized documentation in order to insure that the goods arrive quickly and secure at their destination, the Bank assists its customers in reviewing such documentation for completeness and accuracy.

15. *"Tip" Packs*

Provide bank customers a packet which contains approximately $10 in the currency of a foreign country to assist the customer while he is traveling overseas.

DIVISION VIII

1. *Loan Operations*

Maintains the borrowing records on each customer and is responsible for sending out the notices on payments and notes due. This department receives the payments from

the customers and types the new and renewal notes for the Loan Officer.

DIVISION IX

1. *Credit Investigations*

Answers credit inquiries on customers made by other customers, banks, businesses and individuals. This section also contacts banks and other credit sources for information on customers for lending officers.

2. *Loan Assistants*

These people serve as a focal point for all pertinent information concerning each loan. A few of their duties are: spread and review financial statements; analyze loans on officers request, contact past due loan customers and act as a general clearing house for all information for the credit file on each borrower.

3. *Loan Analysis*

Analysis of financial factors pertaining to the bank's customers who have loans or lines of credit in excess of $100,000 on an unsecured basis.

4. *Loan Review*

Loans, after being analyzed by the Loan Analysis section are reviewed with the cognizant Loan Officer, his division and with all division heads.

Correspondent Banks

1. *Participations and Overlines*

Our correspondent bank officers review, recommend, process, and administer loans generated from its correspondent banks. These are generally in the form of participations and overlines.

2. *Agricultural Loans*

Officers in the Bank's correspondent banking department process agricultural loans that are on a direct rather than on a participation basis.

3. *Loans to Correspondent Bank Officers*

Loans are made to officers of correspondent banks for the purchase of bank stock or other purposes.

4. *Operation's Assistance to Correspondent Banks*

Assistance is provided to First National's correspondent

customer banks establishing or modifying their operating procedure.

5. *Personnel Assistance*

Assistance is provided to First National's correspondent customer banks in seeking personnel for banks.

6. *Special Services*

Various special services are provided such as the acquiring of tickets for community and sporting events.

7. *Credit Inquiries*

The division develops information in answer to credit inquiries from correspondent customer banks.

8. *Credit Analysis*

Credit analyses are prepared for correspondent customer banks at the request.

9. *Policy Assistance to Correspondent Banks*

Assistance is given to correspondent customer banks in any segment of bank management such as investments, management policies, etc. when requested.

The specific services offered through our Correspondent Bank Department are listed in detail in our response to Interrogatory 22C. The correspondent bank officers' function is primarily one of coordination between the departments of the bank, actually performing these services and our correspondent bank customers with the exception of the services listed above which are actually performed by our correspondence bank officers.

Pension Trust Service

1. *Agent for Individuals as Trustees for Profit Sharing Plans or Pension Plans*

The responsibilities are generally the same in these plans as in the general pension or profit sharing plans.

2. *Specialized Employee Health and Welfare Services—Profit Sharing Trust*

The responsibilities are generally the same in these plans as in a pension or profit sharing plan except the purpose of this plan is aimed toward health and welfare security.

3. *Trustee for Individual Self-employed Retirement Plans*

This plan is set up as a pension plan or a profit sharing plan but adjusts to the needs and capabilities of a self-employed individual.

4. *Trustee for a Pension Plan*

5. *Trustee for a Profit Sharing Plan*

In either capacity the Trust Department has the responsibility for receiving monies which are contributed to the trust, investing the funds which are contributed to the trust in accordance with proper fiduciary standards, and disbursing monies to the trusts' beneficiaries as directed by the organization which established the account.

PERSONAL TRUST SERVICES

1. *Executor and Administrator of Deceased Persons' Estates*

Involves complete administration under court jurisdiction of deceased persons' estates, including filing of reports and necessary tax returns, payment of claims and administration expenses, discharging responsibility for estate investments and making distributions under court order.

2. *Trustee of Testamentary Trusts Created by Wills*

Complete administration, including investment services and distributions of income and principal as directed by the Will. May or may not be under direct court supervision.

3. *Trustee under Living Trust Agreements*

Created by Trust Agreement between the Bank and a living person. Bank fully administers the trust as in a testamentary trust, including services and distributions of income and principal as directed by the Trust Agreement, but not under court jurisdiction. Bank holds title to all assets.

4. *Trustee under Life Insurance Trust Agreements*

Similar to a regular living trust except that Bank ordinarily is named only as beneficiary of insurance and does not undertake active duties until after the death of the insured. In this category would also be included Trustee under Business Insurance Trusts to provide funds for purchase of a deceased businessman's interest by survivors.

5. *Trustee of Institutional Community Trusts*

Hold and invest funds for the benefit of community foundations such as the Denver Foundation, or hold and invest funds under trust agreements for charitable or educational purposes, such as a trust for the benefit of a university.

6. *Guardian of the Property of Minors and Mentally Competent Persons*

Hold and invest property of persons under 21 or of persons who have voluntarily requested the Bank to act, all subject to direct court supervision.

7. *Conservator of the Property of Mentally Ill Persons*

Investment and disbursement of funds under court order of persons under legal disability, until death or until such person is restored to reason.

8. *Agent under Custody and Safekeeping Instructions*

Involves holding assets of individuals under written instructions, with remittance of income and principal as directed by our Principal. Principal retains title to the assets.

9. *Investment Management Agent*

Generally the same as a safekeeping or custody arrangement, except that investment advisory services are offered.

10. *Estate Planning and Financial Advisory Services*

Analysis of assets of individuals from the standpoint of family planning and taxes, working closely and in conjunction with the customer's attorney, life underwriter and accountant.

11. *Custodian under Uniform Gifts to Minors Act*

Handling of a minor's property, not under court supervision but in accordance with specific statutory authority.

12. *Conservator of Property of an Absentee*

Protect, disburse and invest funds of a missing person under specific statutory authority, subject to court supervision.

CORPORATE TRUST SERVICES

1. *Trustee under Corporate Indentures*

As Trustee, the bank administers trust indentures of corporations under which debt obligations are outstanding. The trustee initially supervises the issuance of the debt obligations in accordance with the indenture, legal requirements and customary practices, authenticates the obligations; handles subsequent activities including the payment of the obligations, custody of collateral, satisfaction of indenture covenants and maintains records of all transactions relating to the trust.

2. *Paying Agent*

As Paying Agent, the bank assumes responsibility for mailing interest checks to holders of registered debt obligations, paying interest coupons detached from debt obligations and paying debt obligations upon presentation.

3. *Fiscal Agent*

As Fiscal Agent, the bank handles the deposit and disbursement of funds and investment of such funds pursuant to direction of the depositor covering accounts to cover debt service requirements of obligations of state and other governmental agencies including districts and municipalities.

4. *Conversion Agent*

As Conversion Agent, the bank handles the conversion of debt securities into other securities upon surrender thereof for such purpose.

5. *Bond Registrar*

As Bond Registrar, the bank handles the issuance, cancellation and transfer of debt obligations registered as to principal and as to principal and interest and maintains the necessary records relating thereto.

6. *Exchange Agent*

As Exchange Agent, the bank handles the exchange of debt securities for other securities pursuant to plans of reorganization.

7. *Depository*

As Depository, the bank handles the deposit of debt securities under plans of reorganization, bondholder protective committee arrangements including the issuance and transfer of depository receipts and maintenance of records of such depositors.

8. *Liquidating Trustee*

As Liquidating Trustee, the bank handles the distribution of cash and other assets pursuant to a corporate plan of dissolution.

9. *Cremation Agent*

As Cremation Agent, the bank handles the destruction of interest coupons and debt securities and provides appropriate certificates of destruction.

10. *Miscellaneous Trustee Services*

The bank also handles the mailing of annual and interim reports of the obligor as well as the trustee's report to

bondholders pursuant to the Trust Indenture Act of 1939, replacement of lost securities, preparation and filing of information returns and other related services.

11. *Transfer Agent*

As Transfer Agent, the bank handles the issuance and transfer of stock and similar securities and maintains the necessary stockholder records.

12. *Registrar*

As Registrar, the bank handles the registration of stock and similar securities and as such its principal function is to guard against overissue by the transfer agent.

13. *Dividend Disbursing Agent*

As Dividend Disbursing Agent, the bank handles the disbursement of cash and stock dividends including withholding and payment of taxes.

14. *Warrant Agent*

As Warrant Agent, the bank handles the issuance and transfer of warrants representing rights to subscribe to securities, maintains the necessary warrant holders records and handles subscriptions upon the exercise of such rights to subscribe.

15. *Order Form Agent*

As Order Form Agent, the bank handles the issuance of Order Forms representing fractional share interest in stock and the purchase and sale of such interests at the direction of the holders of the Order Forms.

16. *Conversion Agent*

As Conversion Agent, the bank handles the conversion of securities into other securities upon surrender thereof for such purpose.

17. *Exchange Agent*

As Exchange Agent, the bank handles the exchange of securities for other securities pursuant to plans of reorganization.

18. *Sinking Fund Agent*

As Sinking Fund Agent, the bank handles the deposit and disbursement of funds and purchase of selection and call for redemption of stock in accordance with the articles of incorporation of the issuer.

19. *Redemption Agent*

As Redemption Agent, the bank handles the selection and

call for redemption of shares of stock, including payment of the called shares.

20. *Proxy Tabulating Agent*

As Proxy Tabulating Agent, the bank handles the receipt and tabulation of proxies for stockholders' meetings.

21. *Scrip Agent*

As Scrip Agent, the bank handles the issuance, combination and transfer of scrip certificates representing fractional shares and maintains the necessary records of the holders of the scrip certificates.

22. *Custodian for Regulated Investment Companies*

As Custodian for Regulated Investment Companies, the bank handles the safekeeping of securities and cash of mutual funds; delivers securities against receipt of payment and makes payment against delivery of securities, effects exchanges, conversions, collects income due on securities held; surrenders matured or called securities for payment; makes cash disbursements—all at the direction of the mutual fund; maintains complete records; and furnishes reports.

23. *Custodian and Trustee Under Self-Employed Individuals Retirement Plans of Mutual Funds*

As Custodian or as Trustee, the bank handles the administration of Keogh Act Plans for self-employed individuals using Plans of mutual funds approved by the Internal Revenue Service, receives and applies Plan payments, holds Plan securities and insurance policies in custody, maintains necessary records, distributes property, furnishes reports and files requisite tax information.

24. *Custodian Under Corporate Pension and Profit Sharing Plans of Mutual Funds*

As Custodian under corporate pension and profit sharing plans of mutual funds, the services furnished are similar to those described immediately above captioned "Custodian and Trustee Under Self-Employed Individuals Retirement Plans of Mutual Funds."

25. *Miscellaneous Agency Services*

The bank also handles development of various statistical information, preparation of special reports, replacement of lost securities, filing of information returns and other related services.

FNB Greeley

Trust Department

Personal Trust Services

1. Administration of Estates
2. Committee of Property for Incompetents
3. Estate Planning
4. Executor (co-executor under wills)
5. Guardian of Property of Minors
6. Tax Consultation
7. Trustee (co-trustee) under Life Insurance Trusts
8. Trustee (co-trustee) under Living Trusts
9. Trustee (co-trustee) under Wills
10. Trustee of Business Insurance Trusts
11. Farm Management
12. Farm Management—Agency Relationships
13. Farm Management—Fiduciary Relationships

Pension Trust Services

1. Trustee for Individual Self-employed Retirement Plans
2. Trustee for Profit Sharing Plans
3. Trustee for Pension Plans

Corporate Trust and Finance Services

1. Paying Agent Bonds and Coupons
2. Trustee for Bond and/or Debenture Issues

Corporate Agency Services

1. Escrow Agent
2. Registrar
3. Transfer Agent

(B) For the period January 1, 1966 to date, list and describe each service offered by Bancorporation or any of its bank and non-bank subsidiaries which was not offered by FNB Greeley.

(C) For the period January 1, 1966 to date, list and describe each service offered by FNB Greeley which was not offered by Bancorporation or any of its bank and non-bank subsidiaries.

The index of services preceding their description is keyed to a chart, which indicates, which services of FNB Denver are offered by each of Bancorporation's other Bank Subsidiaries and FNB Greeley.

Many of the services offered by the suburban subsidiaries, such as International, Data Processing and Lending Expertise, originate at FNB Denver, but as part of Bancorporation they are actively marketed through the other subsidiaries.

The suburban subsidiaries of Bancorporation do not offer trust services. FNB Denver's Trust Department is so much larger than FNB Greeley that a valid comparison of services by title would be misleading so the trust services of each bank have been separated.

(D) With respect to each service described in answer to this Interrogatory, state the periods of time during which it was offered by (1) Bancorporation or each of its bank or non-bank subsidiaries, and/or (2) FNB Greeley.

Each of the services described in answer to this Interrogatory have been offered by Bancorporation or its bank subsidiaries since January 1, 1966 to the present unless otherwise stated in the description.

Traveler's Letters of Credit

These are individual letters of credit issued for the convenience of persons traveling abroad. It involves the liability of maintaining such credits held under trust receipt, as well as negotiation of drafts drawn by Foreign Nationals under their travelers credits.

Interrogatory 3:D

These services have been available for the period January 1, 1966 to date, with the exception of FCIA policy with the bank as named insured.

Interrogatory 4

Commercial Letters of Credit —January 1, 1966 through August, 1970

¼ of 1% of amount drawn with $10 minimum per letter of credit

$5 minimum per drawing or negotiation

August, 1970 to date

½ of 1% with $12.50 minimum per letter of credit

$5 minimum per individual drawing

This fee may vary plus or minus in accordance with overall customer relationship.

Amendments —Under each category, $5 charge for amendments

Acceptances —January 1, 1966 through February, 1969

1. Discounted for own portfolio at prevailing Bankers Acceptance rate
2. Maintained in safekeeping facilities until maturity at no additional charge other than letter of credit processing fee
3. Returned to drawee bank at no charge
4. During this period of time, no acceptances were brokered in secondary money market.

February, 1969 through present

1. Discounted for own portfolio at prime plus ¾ of 1%
2. Same as #2 above
3. Same as #3 above
4. Commencing June, 1970 certain acceptances were and are processed for the Correspondent Bank Department with the commission rate determined by them.

	Drafts are brokered in secondary money market with discount based upon prevailing rate and also maintained in bank's own portfolio for short periods of time prior to sale and settlement.
Export Credit Insurance	—During the period in question, no customers were on this program. First contracts to be signed this coming October 1st.
Foreign Credit Information and Investigation	—No charge for this service other than out-of-pocket expense.
Advances Against Collections	—January 1, 1966 through present. Negotiated for individual accounts dependent upon customer relationship and current borrowing rate.
Foreign Collections	—January 1, 1966 through present. Charge is $2.50 minimum. Rates variable in accordance with country involved and documentation.
Foreign Exchange Purchase and Sale	—No direct charge for this service, with reimbursement to customer based upon prevailing market rates. Commission to bank consists of arbitrage.
Foreign Remittance and Draft Service	—Varies according to amount, bank, and/or country, as well as to method of transfer or remittance.
Foreign Trade Specialists	—No charge
Forward Exchange Contracts	—January 1, 1966 through present. Negotiations dependent upon individual transaction, with $35 minimum plus arbitrage, if any.
Letters of Introduction	—No charge
Traveler's Letters of Credit	—Cash Letters of Credit Charge to purchaser—commission is ¾ of 1% of the face amount of the letter, minimum

$10. Commission to issuing bank —½% of the face amount of the letter of credit, minimum $5.
Reimbursement Letters of Credit Charge to purchaser—commission is 1/10% of the face amount of the letter of credit, minimum $10. Commission to issuing bank —1/20 of 1% of face amount of the letter of credit, minimum $5, retained out of the commission collected at time of issue. Drawings against these letters of credit are subject to a commission of 1%, of which ½% is retained by the issuing bank.

THE
FIRST
NATIONAL
BANK
of DENVER

SERVICES DIRECTORY

Since service is practically the only variable in banking today, it is vital that we at The FIRST offer the best service to our customers.

This directory has been given to all customer contact people within the Bank. Its purpose is to make you aware of all of the services which are available to our customers and thereby enable you to do the best possible job of cross selling.

The following page is a sample page showing the type of information which is included for each service.

It is important that you read the manual carefully and then keep it close at hand for quick reference.

Correspondent Banking

The correspondent banking relationship is a relationship between banks of different sizes and is mutually beneficial. The FIRST maintains such a relationship with approximately 249 smaller banks and has accounts in 54 larger banks.

The larger bank provides many services to the small banks. These include nearly all of the services the larger bank has. At The FIRST we provide to our correspondents:

1. Rapid transit or check clearing
2. Management advice
3. Investment recommendation
4. Computer services
5. Letter of credit
6. Business Development
7. Trust services
8. Master Charge
9. Loan Participation:

   These participations include not only livestock loans which on the surface may seem typical with small bank relationships, but also participation in loans of the same variety as The FIRST makes in its Commercial and Real Estate Departments.

Prospecting Tips:

Information—Because of the size of the area which is covered by the CORRESPONDENT BANK DEPARTMENT a good deal of information is available from the members of the department concerning this area.

Introduction—The Correspondent Bank Department can serve our own customers by referring them to a correspondent bank if they should anticipate a permanent move to another city or starting a business relationship where we have a correspondent bank.

Prospects:

Banks who do not presently bank with us.

Plaintiff's Exhibit 25

Interrogatory 22 (A)—The First National Bank of Denver:

State the total number and total dollar amount of correspondent bank deposits held by each Bancorporation subsidiary bank as of December 31 for each of the years 1967 through 1969.

	1967	1968	1969
Number of Banks	223	219	221
Total Dollar Amount of Deposits	$50,774,575.17	$64,997,631.87	* $67,614,136.01

* Includes an 80,000 CD of Boulevard National Bank

Interrogatory 22 (B)

State the name and address of each commercial bank which maintained a correspondent account with any Bancorporation subsidiary bank as of December 31, 1969, and state the type and dollar amount of each such account.

Name and Address of Bank	*Type of Account*	*Balance December 31, 1969*
Akron, Colorado		
Citizens National Bank	Regular	$ 50,115.01
Alamogordo, New Mexico		
Security Bank and Trust	Regular	374.97
Alamosa, Colorado		
First National Bank	Regular	423,231.23
Albuquerque, New Mexico		
Albuerque National Bank	Regular	1,589,835.31
Alliance, Nebraska		
Guardian State Bank	Regular	586,797.79
Amarillo, Texas		
First National Bank	Regular	298,386.16
Arvada, Colorado		
First National Bank	Regular	241,039.60
Aspen, Colorado		
Bank of Aspen	Regular	2,583,500.87
Bank of Aspen	Master Charge	24,860.28
Aurora, Colorado		
Aurora National Bank	Regular	22,033.17
People's Bank and Trust	Regular	9,329.77
Ault, Colorado		
Farmer's National Bank	Regular	10,022.90
Basin, Wyoming		
Security State Bank	Regular	283,743.44
Bassett, Nebraska		
Commercial Bank	Regular	2,000.00

Name and Address of Bank	*Type of Account*	*Balance December 31, 1969*
Bayard, Nebraska		
First National Bank	Regular	99,158.21
Belen, New Mexico		
First National Bank	Regular	1,000.00
Benkelman, Nebraska		
State Bank of Benkelman	Regular	116,167.84
Big Springs, Nebraska		
Farmers State Bank	Regular	34,782.73
Billings, Montana		
Midland National Bank	Regular	166,683.40
Midland National Bank	Master Charge	33,051.47
Valley State Bank	Regular	36,361.25
Bismarck, North Dakota		
First National Bank and Trust	Regular	37,192.67
Boise, Idaho		
First Security Bank of Idaho	Regular	106,881.67
Boulder, Colorado		
Arapahoe National	Regular	37,885.66
First National Bank	Regular	1,047,520.39
National State Bank	Regular	765,631.81
Bozeman, Montana		
First National Bank	Regular	40,436.60
Bridgeport, Nebraska		
Bridgeport State Bank	Regular	21,105.83
Brighton, Colorado		
First Bank of Brighton	Regular	23,594.41
Brush, Colorado		
Farmers State Bank	Regular	1,302,018.05
Farmers State Bank	Special-Comp. Balance	157,543.08
Farmers State Bank	Master Charge	6,389.98
Burlington, Colorado		
Bank of Burlington	Regular	1,137,621.96
Bank of Burlington	Master Charge	7,297.76
Butte, Montana		
First Metals Bank and Trust Co.	Regular	10,817.16
Calhan, Colorado		
Farmers State Bank	Regular	180,799.62
Canon City, Colorado		
First National Bank	Regular	12,367.18
Casper, Wyoming		
First National Bank	Regular	171,530.98
Hilltop National Bank	Regular	35,761.88
Wyoming National Bank	Regular	443,710.09
Bank of Douglas County	Regular	35,058.00
Cavalier, North Dakota		
First Merchants and Farmers Bank	Regular	7,122.70
Center, Colorado		
First National Bank	Regular	4,831.69

Name and Address of Bank	*Type of Account*	*Balance December 31, 1969*
Centralia, Kansas		
First National Bank	Regular	1,000.00
Chappel, Nebraska		
Duel County State Bank	Regular	9,118.66
Cheyenne, Wyoming		
American National Bank	Regular	124,194.18
Cheyenne Wells, Colorado		
Eastern Colorado Bank	Regular	14,636.82
Chicago, Illinois		
Harris Trust and Savings Bank		
Advance Mortgage Corp. Acct.	Regular	196,000.00
Northern Trust Company	Regular	342,683.08
Clayton, New Mexico		
Farmers and Stockmens Bank	Regular	422,134.43
Cleveland, Ohio		
Cleveland Trust Company	Regular	168,098.13
Continental Bank	Regular	5,000.00
Colby, Kansas		
Thomas County National Bank	Regular	13,845.68
Colorado Springs, Colorado		
Air Academy National Bank	Regular	8,113.26
Bank of Colorado	Regular	166,431.43
Colorado Commercial & Savings Bank	Regular	236,506.92
Colorado Springs National Bank	Regular	157,317.09
East Colorado Springs National Bank	Regular	21,079.51
Exchange National Bank	Regular	613,124.84
First National Bank	Regular	93,400.01
Northern National Bank	Regular	146,402.25
Commerce City, Colorado		
Metropolitan State Bank of Commerce City	Regular	10,575.29
Cooperstown, North Dakota		
First State Bank	Regular	1,524.98
Cortez, Colorado		
First National Bank	Regular	391,207.93
Craig, Colorado		
Moffat County State Bank	Regular	485,281.84
Dallas, Texas		
First National Bank	Regular	279,521.68
Dalton, Nebraska		
Dalton State Bank	Regular	8,707.84
Delta, Colorado		
Colorado Bank and Trust Company	Regular	13,104.09
Denver, Colorado		
Alameda National Bank	Regular	715,217.56
Bank of Denver	Regular	207,000.91
Boulevard National Bank	Regular	1,131,970.50
Boulevard National Bank	Certificate of Deposit-Comp. Balance	80,000.00

Name and Address of Bank	*Type of Account*	*Balance December 31, 1969*
Central Bank and Trust	Regular	39,042.62
Cherry Creek Bank	Regular	366,021.11
Colorado State Bank	Regular	1,378,625.98
Colorado State Bank	Payroll	18,969.23
Colorado State Bank	Special-Comp. Balance	200,000.00
Columbine State Bank	Regular	—0—
First National Bank of Bear Valley	Regular	595,896.25
Guaranty Bank and Trust Company	Regular	5,581,187.64
Guaranty Bank of Stapleton	Regular	20,874.94
Guaranty Bank and Trust	Master Charge	6,462.11
Lakeside National Bank	Regular	(125,022.42)
Mountain States Bank	Regular	64,450.73
National City Bank	Regular	675,745.75
North Denver Bank	Regular	1,021,450.20
Security National Bank of Denver	Regular	5,152,262.24
South Denver National Bank	Regular	313,599.31
Southwest State Bank	Regular	98,597.93
Union National Bank	Regular	107,604.03
Union National Bank	Payroll	.21
University Hills Bank	Regular	109,456.57
Douglas, Wyoming		
Converse County Bank	Regular	110,344.24
Dove Creek, Colorado		
Dove Creek State Bank	Regular	6,351.28
Dumas, Texas		
First National Bank	Regular	15,000.00
Durango, Colorado		
Burns National Bank	Regular	27,418.16
First National Bank	Regular	605,756.83
Eads, Colorado		
First National Bank	Regular	227,365.79
Eagle, Colorado		
First National Bank	Regular	3,624.20
East Grand Forks, Minnesota		
First National Bank	Regular	3,418.96
El Paso, Texas		
El Paso National Bank	Regular	135,938.70
Englewood, Colorado		
Continental National Bank	Regular	85,936.80
First National Bank	Regular	142,083.43
Espanola, New Mexico		
First National Bank of Rio Arriba	Regular	144,956.23
Estes Park, Colorado		
Estes Park Bank	Regular	309,335.21
Evergreen, Colorado		
Evergreen State Bank	Regular	2,340.41
Fairplay, Colorado		
Bank of Fairplay	Regular	10,898.09

Name and Address of Bank	*Type of Account*	*Balance December 31, 1969*
Fargo, North Dakota		
Merchants National Bank & Trust	Regular	60,073.39
Fargo National Bank	Regular	30,842.36
Florence, Colorado		
First National Bank	Regular	6,019.15
Forsyth, Montana		
First State Bank	Regular	18,669.03
First State Bank	Master Charge	6,557.94
Fort Collins, Colorado		
First National Bank	Regular	194,787.85
First National Bank	Master Charge	26,098.91
Poudre Valley National Bank	Regular	6,458.40
Fort Morgan, Colorado		
Farmers State Bank	Regular	935,271.65
Farmers State Bank	Master Charge	15,400.71
Fort Worth, Texas		
First National Bank	Regular	608,293.39
Fowler, Colorado		
Fowler State Bank	Regular	133,519.46
Frisco, Colorado		
Summit County Bank	Regular	11,589.76
Fruita, Colorado		
Fruita State Bank	Regular	23,889.96
Garden City, Kansas		
Fidelity State Bank	Regular	25,000.00
Garden National Bank	Regular	10,224.00
Gering, Nebraska		
Gering National Bank	Regular	38,761.89
Gillette, Wyoming		
Stockman's Bank	Regular	761,556.12
Glenwood Springs, Colorado		
Bank of Glenwood	Regular	52,083.08
First National Bank	Regular	80,660.69
Golden, Colorado		
First National Bank	Regular	531,039.06
Goodland, Kansas		
First National Bank	Regular	8,090.00
Goodland State Bank	Regular	1,703.08
Gothenburg, Nebraska		
Gothenburg State Bank	Regular	56,446.86
Grafton, North Dakota		
Walsh County Bank	Regular	13,750.60
Grand Forks, North Dakota		
Red River National Bank	Regular	24,908.76
Grand Junction, Colorado		
First National Bank	Regular	89,606.55
U. S. Bank of Grand Junction	Regular	104,516.67
Grants, New Mexico		
Grants State Bank	Regular	265,792.23

Name and Address of Bank	*Type of Account*	*Balance December 31, 1969*
Great Falls, Montana		
Great Falls National Bank	Regular	9,470.38
Greeley, Colorado		
Cache National Bank	Regular	16,256.87
First National Bank	Regular	990,445.58
Greeley National Bank	Regular	520,237.79
State Bank of Greeley	Regular	6,700.12
West Greeley National Bank	Regular	12,870.49
Greybull, Wyoming		
First National Bank	Regular	5,056.33
Gunnison, Colorado		
First National Bank	Regular	120,382.30
First National Bank	Master Charge	13,247.74
Gunnison Bank & Trust Company	Regular	82,878.97
Harrison, Nebraska		
Sioux National Bank	Regular	1,304.90
Helena, Montana		
Commerce Bank and Trust	Regular	15,486.40
First National Bank & Trust Co.	Regular	39,704.28
Holyoke, Colorado		
First National Bank	Regular	185,240.98
Hotchkiss, Colorado		
First National Bank	Regular	178,856.30
Houston, Texas		
Harrisburg National Bank	Regular	5,000.00
Hoxie, Kansas		
First National Bank	Regular	5,000.00
Hutchinson, Kansas		
First National Bank	Regular	262,252.89
Hyannis, Nebraska		
Bank of Hyannis	Regular	11,503.00
Jamestown, North Dakota		
Jamestown National Bank	Regular	36,777.31
Johnstown, Colorado		
First National Bank	Regular	3,725.46
Julesburg, Colorado		
First National Bank	Regular	49,780.19
Kearney, Nebraska		
Platte Valley State Bank	Regular	1,595.85
Keenesburg, Colorado		
Citizens State Bank	Regular	8,471.64
Kremmling, Colorado		
Bank of Kremmling	Regular	437,990.68
Lafayette, Colorado		
First National Bank of Lafayette	Regular	17,254.18
LaJara, Colorado		
First National Bank	Regular	11,255.95

Name and Address of Bank	*Type of Account*	*Balance December 31, 1969*
LaJunta, Colorado		
Bank and Trust Company	Regular	6,423.40
LaJunta State Bank	Regular	770,512.05
Lakewood, Colorado		
Jefferson County Bank of Lakewood	Regular	1,425,939.06
Jefferson County Bank of Lakewood	Master Charge	363,892.54
Lamar, Colorado		
First National Bank	Regular	8,339.46
Valley State Bank	Regular	431,316.93
Laramie, Wyoming		
Bank of Laramie	Regular	284,913.58
Bank of Laramie	Master Charge	28,554.38
First National Bank	Regular	12,223.62
Las Animas, Colorado		
First National Bank	Regular	163,019.83
Las Cruses, New Mexico		
Farmers and Merchants Bank	Regular	25,000.00
Las Vegas, Nevada		
The Bank of Las Vegas	Regular	7,673.66
Leadville, Colorado		
Commercial Bank of Leadville	Regular	12,369.17
Lidgerwood, North Dakota		
First National Bank	Regular	10,518.91
Lincoln, Nebraska		
First National Bank & Trust Co.	Regular	31,841.52
Littleton, Colorado		
Littleton National Bank	Regular	555,306.45
Livingston, Montana		
First National Park Bank	Regular	24,328.94
Longmont, Colorado		
First National Bank	Regular	180,640.27
Los Angeles, California		
First Western Bank & Trust Co.	Regular	191,967.10
Security Pacific National Bank of Los Angeles	Regular	15,208.37
United California Bank	Regular	333,343.61
United California Bank	Special-Comp. Balance	600,000.00
Louisville, Colorado		
First National Bank of Louisville	Regular	704.65
Loveland, Colorado		
First National Bank	Regular	135,404.22
Lovell, Wyoming		
First National Bank	Regular	25,945.76
Lubbock, Texas		
First National Bank	Regular	96,704.29
Lyman, Nebraska		
Farmers State Bank	Regular	17,781.83

Name and Address of Bank	*Type of Account*	*Balance December 31, 1969*
Manzanola, Colorado		
J. N. Beaty and Company	Regular	62,310.78
Miles City, Montana		
First National Bank	Regular	59,336.78
Minot, North Dakota		
Union National Bank	Regular	26,406.34
Missoula, Montana		
Southside National	Regular	12,435.49
Western Montana National Bank	Regular	42,970.50
Mitchell, Nebraska		
First National Bank	Regular	79,955.04
Monte Vista, Colorado		
Fidelity Bank and Trust	Regular	1,210,676.12
Montrose, Colorado		
First National Bank	Regular	285,770.61
Montrose National Bank	Regular	3,844.63
Moorhead, Minnesota		
American State Bank	Regular	18,863.08
New York, New York		
Bankers Trust Company	Regular	250,000.00
Northglenn, Colorado		
The First National Bank of Northglenn	Regular	434,435.29
The First National Bank of Northglenn	Master Charge	6,752.94
North Platte, Nebraska		
North Platte State Bank	Regular	10,000.00
Ogallala, Nebraska		
First National Bank	Regular	28,359.96
Ogden, Utah		
Bank of Utah	Regular	10,882.88
Commercial Security Bank	Regular	266,350.10
Ordway, Colorado		
First National Bank	Regular	14,659.69
Pagosa Springs, Colorado		
The Citizens Bank	Regular	10,847.41
Paonia, Colorado		
First National Bank	Regular	42,944.91
Park River, North Dakota		
First State Bank	Regular	5,346.91
Philadelphia, Pennsylvania		
First Pennsylvania Bank & Trust Co.	Regular	32,779.74
Phoenix, Arizona		
First National Bank of Arizona	Regular	97,062.68
Pinedale, Wyoming		
First National Bank of Pinedale	Regular	294,168.49
Pocatello, Idaho		
Idaho Bank and Trust Company	Regular	112,936.74

Name and Address of Bank	*Type of Account*	*Balance December 31, 1969*
Portland, Oregon		
United States National Bank of Oregon	Regular	144,956.60
Price, Utah		
Carbon Emery Bank	Regular	9,958.44
Pueblo, Colorado		
First National Bank	Regular	561,493.59
Minnequa Bank	Regular	607,718.13
The Pueblo Bank & Trust Company	Regular	193,390.75
Rapid City, South Dakota		
First National Bank of the Black Hills	Regular	14,304.29
Raton, New Mexico		
International State Bank	Regular	93,455.62
Rawlins, Wyoming		
First National Bank	Regular	417,604.56
Riverton, Wyoming		
American National Bank of Riverton	Regular	36,063.96
Rock Springs, Wyoming		
North Side State Bank	Regular	59,834.51
Rocky Ford, Colorado		
Empire State Bank	Regular	155,669.74
Rocky Ford National Bank	Regular	168,267.67
St. Francis, Kansas		
Citizens State Bank	Regular	27,090.83
Salida, Colorado		
First National Bank	Regular	309,026.32
Salt Lake City, Utah		
First Security Bank Utah N.A.	Regular	162,402.79
Valley Bank and Trust	Regular	25,000.00
Walker Bank and Trust Company	Regular	179,094.81
Zions First National Bank	Regular	52,923.29
San Antonio, Texas		
National Bank of Commerce	Regular	31,123.23
San Francisco, California		
Bank of America	Regular	1,896,149.29
Crocker Citizens National Bank	Regular	171,558.04
Wells Fargo Bank, H. A.	Regular	34,175.45
Santa Fe, New Mexico		
First National Bank	Regular	63,629.49
Scottsbluff, Nebraska		
Scottsbluff National Bank	Regular	397,606.48
Western National Bank	Regular	10,000.00
Seattle, Washington		
National Bank of Commerce	Regular	97,250.83
Sheridan, Wyoming		
Bank of Commerce	Regular	1,949,063.58
Bank of Commerce	Master Charge	5,541.54
First National Bank	Regular	11,528.60

Name and Address of Bank	*Type of Account*	*Balance December 31, 1969*
Sidney, Nebraska		
American National Bank	Regular	178,123.97
Southglen, Colorado		
First National Bank of Southglenn	Regular	269,424.34
First National Bank of Southglenn	Master Charge	3,702.96
Springfield, Colorado		
First National Bank	Regular	17,775.38
Steamboat Springs, Colorado		
Routt County National Bank	Regular	317,085.33
Sterling, Colorado		
First National Bank of Sterling	Regular	49,586.39
Security State Bank	Regular	1,134,559.87
Security State Bank	Master Charge	3,229.63
Strasburg, Colorado		
First National Bank	Regular	497,785.58
First National Bank	Master Charge	2,604.14
Stratton, Colorado		
First National Bank	Regular	11,338.35
Topeka, Kansas		
The State 's Saving Bank	Regular	39,261.94
Torrington, Wyoming		
Citizens National Bank	Regular	846,349.61
Citizens National Bank	Master Charge	16,249.85
First National Bank	Regular	124,695.24
Trinidad, Colorado		
First National Bank	Regular	2,032.58
Tulsa, Oklahoma		
National Bank of Tulsa	Regular	191,227.68
Valley City, North Dakota		
First National Bank	Regular	18,863.08
Wahpeton, North Dakota		
Wahpeton National Bank	Regular	6,480.41
Walhalla, North Dakota		
Walhalla State Bank	Regular	10,572.75
Walsh, Colorado		
Colorado State Bank	Regular	3,990.55
Wheatland, Wyoming		
First National Bank in Wheatland	Regular	264,056.74
Wichita, Kansas		
First National Bank	Regular	898,926.07
Wichita Falls, Texas		
First-Wichita National Bank	Regular	(3,483.33)
Windsor, Colorado		
First National Bank	Regular	516,561.18
First National Bank of Windsor		
Reserve Account	Comp. Balance	75,000.00
Winner, South Dakota		
Farmers State Bank	Regular	11,621.51

Name and Address of Bank	*Type of Account*	*Balance December 31, 1969*
Worland, Wyoming		
First National Bank	Regular	288,959.90
First National Bank	Master Charge	1,237.52
Wray, Colorado		
First National Bank	Regular	343,878.98
First National Bank	Master Charge	1,444.70
Yuma, Colorado		
Farmers State Bank	Regular	775,794.44
		$67,614,138.01 *

* This balance includes an $80,000.00 CD of Boulevard National Bank.

Plaintiff's Exhibit 26

Interrogatory 22

(A) State the total number and total dollar amount of correspondent bank deposits held by each Bancorporation subsidiary bank as of December 31 for each of the years 1967 through 1969.

(B) State the name and address of each commercial bank which maintain a correspondent account with any Bancorporation subsidiary bank as of December 31, 1969 and state the type and dollar amount of each such account.

(C) Describe each correspondent service offered by each Bancorporation subsidiary bank to each of its correspondent bank customers in each of the years 1967, 1968, 1969 and 1970 to date.

* * * * *

Answer to Interrogatory 22

The First National Banks of Northglenn, Southglenn and Bear Valley have no correspondent bank deposits. For an analysis of correspondent bank accounts, deposits and services rendered by The First National Bank of Denver, see attached.

Response to Interrogatory prepared by:
Ronald A. Loose, Assistant Vice President
The First National Bank of Denver

Phillip J. Hogue, Vice President
The First National Bancorporation, Inc.

Loans—1967, 1968, 1969, 1970

The Correspondent Bank Department, as one of its basic purposes, assists correspondent banks with overline loans and participation loans to a variety of borrowers. Also included in the loan makeup are direct loans to banks and bank officers. These loans are of every type and classification as those loans made by the First National Bank of Denver for its own portfolio.

Data Processing

The First National Bank of Denver has installed several computers of various manufacturers in order to handle the processing of its many customer service applications for itself and its correspondents.

Listed below is a brief description of the *Regular* Data Processing Services offered our correspondents:

A. *Demand Deposit Accounting:* 1967, 1968, 1969, 1970

Processing checks and deposits on a correspondent bank's individual demand deposit accounts, including the preparation of customer statements.

B. *Saving Accounting:* 1967, 1968, 1969, 1970

Processing of deposits and withdrawals on the bank's customer accounts, calculation of interest on these accounts, and the preparation of reports and statements.

C. *Time Certificate Accounting:* 1967, 1968, 1969, 1970

Maintaining time certificates, computation of interest and notification of maturities on such certificates.

D. *Installment Loan Accounting:* 1967, 1968, 1969, 1970

Maintaining individual loan records, produce coupons and process monthly payments. This system includes necessary divisions of dealer purchased installment paper as well as bank originated loans.

E. *Commercial Loan Accounting:* 1968, 1969, 1970

Process a correspondent bank's commercial loan customer's payment and produce interest and principal payment notices together with various reports including reports for participated loans.

F. *Customer Payroll:* 1967, 1968, 1969, 1970

Process current payroll information to correspondent banks and their customers with payroll checks or automatic

deposits and appropriate registers giving a complete breakdown of earnings and deductions. This system also maintains year-to-date totals and provides all payroll customers with quarterly and annual government reports.

G. *Account Reconciliation Plan:* 1967, 1968, 1969, 1970

For customers on the demand deposit accounting system, this additional service provides an automated means of reconciling individual accounts. This system produces a listing of paid and outstanding items on a scheduled basis for correspondent banks and their customers. This allows the customer to relate his checks paid back to his checks issued.

H. *Record Account:* 1968, 1969, 1970

This system enables the agricultural, small business, or budget minded customers to code expenditures and income into various categories as these transactions take place. This information is then formated and furnished to the customer monthly, providing him detailed figures of monthly income and expenses as well as year-to-date totals. This service is for the correspondent bank customers.

I. *Revolving Credit:* 1968, 1969, 1970

As an extension to the Demand Deposit system the customer is allowed to overdraw his account and have funds deposited in hundred dollar multiples to his checking account. Proper billing notices and late notices are also produced out of this same system for repayment purposes. This service is for the correspondent banker's customers.

J. *Mortgage Loans:* 1967, 1968, 1969, 1970

The mortgage and real estate loan system provides correspondent bank management with all reporting requirements necessary in the handling of mortgage loans. Daily, weekly, and monthly reports are produced out of this system as well as appropriate notices to the customer for billing purposes.

K. *Central Information System:* 1969, 1970

The First National Bank of Denver has been engaged in creating for itself and its correspondents an automated Central Information System providing centralized information retrieval for accounts. This system provides video and audio direct communication with computers for the purposes of providing authorized bank personnel with a profile of the business a customer has with an individual

bank. This system also provides bank personnel with detailed information of balance files for checking, savings, time certificate, installment, and commercial loan accounts.

Federal Funds Transactions—1967, 1968, 1969, 1970

Federal Funds transactions are buy and sell transactions which take the form of a transfer from a seller's account in a Federal Reserve Bank or in First National Bank of Denver to a buyer's account therein, payment to be made by the purchase, usually with a specified fee. Since 1967, the demand for funds in larger banks has created a different type of transaction also known as a Federal Funds Transaction. This involves a process whereby the correspondent banks either (a) sell funds directly to a larger bank or (b) purchase funds from a larger bank. This is done by either charging or crediting the correspondent bank's account in that larger bank.

Bond Division—1967, 1968, 1969, 1970

The bond department sells certificates of deposit and commercial paper, and buys and sells municipal notes and bonds and all types of government securities. They are equipped to advise individuals, corporations and correspondent banks in investment and portfolio management.

Safekeeping—1967, 1968, 1969, 1970

The safekeeping department is a storage area for all types of Securities. They provide the following services for our correspondent banks and their customers.

A. Safekeeping Accounts—Hold securities either purchased from our bond department or from a broker. Clip coupons monthly and credit the correspondent bank's account. Withdraw securities as they come due and credit the correspondent bank's account. In the case of Treasury Bills, notify the correspondent bank two weeks prior to the due date so that they can notify us as to reinvestment instructions. We also receive custody receipts from Eastern Banks from our correspondent banks. They are processed in the same manner as securities.

B. Bill Tender—Upon instructions from either our Bond Department or the correspondent banks, submit applications in behalf of the correspondent or their customers to the Federal Reserve Bill Auction. The auction is every Monday for 91 or 182 day Treasury

Bills for settlement the following Thursday. Monthly enter the auction for 365 and Tax Anticipation Bills for our correspondents and their customers. Upon receipt of the Treasury Bills, either place in their safekeeping account or forward to the correspondent bank.

C. Escrow Accounts—Banks are required to pledge a given percentage of public funds deposited with them in the form of government or qualified Municipal Issues. The percentage required by the state is 110% and varies for different counties and municipalities. Issue a Joint Custody receipt for correspondent banks and public officials which show the securities held under a specific Pledge Agreement. Release securities when both copies of the custody receipt are returned to our bank.

Collection Department—1967, 1968, 1969, 1970

The collection department serves as an agent for our customers in obtaining payment or making payment for checks, drafts and any other negotiable instruments which require special handling. They accept checks and drafts for collection of our correspondents. These items are presented to the payers for disposition. If refused, they are returned to the correspondent with the reason for non payment. If accepted, the correspondent's account is credited.

Cash Items—1967, 1968, 1969, 1970

The cash items department processes return and clearing items for correspondent banks. These items are processed as follows:

A. Return items to them—Assemble checks being returned, establish a total dollar amount and debit their account with us for that amount.

B. Deliver of Return Items—Deliver correspondent banks return items to them by runner.

C. Return items for them—Credit their account with us for the total dollar amount of their return items to us. We then route each return item to the depositing bank.

D. Delivery of Clearings Items—Deliver our clearings items to the correspondent bank by runner.

E. Pick up of Clearings Items—Pick up the correspondent bank's incoming clearings to us by runner.

Wire Transfer—1967, 1968, 1969, 1970

The wire transfer department processes three types of transactions for correspondent banks. (1) outgoing, (2) incoming, and (3) internal.

A. Outgoing—Transfer funds via telegraphic message from one of our correspondents to either a Federal Reserve office or another bank. In the case of another bank, it may be for the correspondent bank's credit or for disbursement to a customer of the bank the fund is being transferred to.
B. Incoming—Receive funds via telegraphic wire from banks other than our correspondents for credit to one of our correspondents. (There are no records as to which banks we perform this service for)
C. Internal—Transfer funds from one correspondent to another correspondent.

Master Charge—1969, 1970

The master charge department performs all of the functions of a bank credit card system. They presently have 77 agent banks in four states with an account base on June 30, 1970 of 138,023 cardholders and outstandings of $6,126,145.00. Our bank funds outstandings and expenses; Maintains and updates cardholder records and provides a complete reporting system of cardholder activity. They collect bad accounts and do all of the credit investigation. Their customer service department is available to answer any customer complaints and inquiries.

In addition to these services, the master charge department maintains a staff of traveling representatives to advise our correspondent banks in internal accounting procedures, merchant solicitation and cardholder activation, promotion and solicitation.

Special Services—1967, 1968, 1969, 1970

Upon request, the Special Services department will make all arrangements such as airline, train, car rental and hotel reservations for correspondent bankers. They also obtain football, basketball, baseball, hockey, theater and movie tickets.

Credit Division—1967, 1968, 1969, 1970

The Credit Department is staffed with trained personnel whose primary function is to service the lending departments in our bank. However, they do offer these services

to our correspondent banks upon request. The services most frequently provided are credit investigation, credit analysis, inspection of collateral and training of credit personnel in correspondent banks.

Teller Department—1967, 1968, 1969, 1970

The services which the teller division provides our correspondent banks is largely concerned with currency and coin transactions. These services can be segregated into three categories: currency and coin disbursement, currency and coin receipts and special.

A. Currency Disbursements

The correspondent banks that avail themselves of this service are non Federal Reserve members. We serve our correspondent banks in the same manner the Federal does member banks by providing them with strapped currency and machine wrapped coin to meet their daily and weekly needs.

B. Currency and Coin Receipts

We purchase excess currency and currency and mutilated currency from our correspondent banks. We also serve as a processing center for U.S.D.A. Food Stamps.

C. Special Services

Upon request we will take their teller trainees through our teller training program which is a combination of classroom and on the job training.

We process orders for half dollar allotments through the Federal Reserve for non member banks.

Mutilated currency is collected by our teller department through The Currency Redemption Center in Washington, D.C.

International Division—1967, 1968, 1969, 1970

The International Division of The First National Bank of Denver is a full service department, offering a full range of international banking services. These services are highly specialized, requiring a major investment in technical personnel, facilities, foreign correspondent relationships, etc.

All services provided by the International Division of The First National Bank of Denver are available to correspondent banks.

A. *Letters of Introduction*

Letters of Introduction are furnished to our foreign correspondents on behalf of businessmen traveling abroad, requesting the assistance of the correspondent in providing contacts, possible investment sources, etc. The foreign correspondent relationship is essential in providing such a service, from the standpoint of the liability incurred, whether implied or expressed, and recognition of authorized signatures, etc. Letters of Introduction have been provided to our regional correspondents in the past. However, inasmuch as no permanent files are maintained by us, it is not possible to extract specific past instances. This service continues to be made generally available for our correspondents.

B. *Travelers Letters of Credit*

These credits are issued for the convenience of persons traveling abroad. The service is provided to our correspondents not wishing to incur the liability of maintaining a supply of such credits, since these credits are held under Trust Receipt.

C. *Foreign Collections*

Foreign collections covering merchandise shipped against drafts with documents attached require more than routine collection knowledge. Payment may be made in U. S. Dollars or foreign currency.

D. *Foreign Exchange*

Foreign exchange consists primarily of drafts in foreign currencies presented to us for collection and exchange with credit in U. S. Dollars. We believe that almost every correspondent bank in the State of Colorado has used this service from time to time in the past and it is currently being used by the majority of our city correspondents. This International Banking function requires personnel with expertise in the foreign currency market. This type of knowledge requires not only formal training but a great amount of on the job training as well.

E. *Commercial Letters of Credit*

A commercial letter of credit is a legal document issued by a commercial bank on behalf of its customer in favor of the customer's supplier guarantying payment subject to the terms and conditions of the documentary credit. A documentary credit is a legal document issued by a com-

mercial bank in favor of a beneficiary on behalf of an account party.

Commercial Letters of Credit are a substitution of the credit of the issuing bank for that of the buyer and consist of two types: (1) Import; (2) Export. This is a highly specialized service requiring comprehensive technical training.

F. *Bankers Acceptances*

These are drafts drawn on and accepted by the drawee bank. By accepting and signing the draft the drawee bank creates an unconditional obligation to pay. Upon acceptance, the draft is generally handled in one of the following manners: (1) maintained in safekeeping, (2) returned to the drawer, (3) discounted for own portfolio, or (4) discounted & brokered.

An acceptance can be created under Letters of Credit calling for a deferred payment and are processed by us for correspondents using our Commercial Letter of Credit services.

G. *Advances Against Collections*

This is a financing method in which the drawer bank finances against drafts drawn on a foreign company or bank. Such interim financing is of great assistance in maintaining current working capital for Colorado exporters, particularly in the case of shipments against time drafts. Requests for information from various correspondents have been received by the International Division of The First National Bank of Denver. Although no formal records are kept, the International Division has in the past assisted in providing proper information, thus enabling the correspondent bank to service its customer, based on best assurance of repayments.

H. *Transfer of Funds Abroad*

This service is provided to correspondents through the facilities of The First National Bank of Denver as a member of the Bankwire Service and through our worldwide correspondents. This service is used regularly by the majority of our Colorado correspondents.

I. *Bank Guarantees*

Such guarantees are extended by banks on behalf of its customers, guaranteeing to hold the Steamship Company harmless for delivery of merchandise without title docu-

ments. This service is one that can only be performed by a major bank, recognized in international trade.

Dealer Division—1967, 1968, 1969, 1970

The Dealer Division is primarily involved directly with our customers who are automobile dealers in the Denver area. Their service is floor planning and purchasing of dealer paper. However, their expertise is available to our correspondent banks when requested. Specifically the services provided to correspondent banks include assistance in making repossessions and in establishing a Dealer Division of its own.

A. Repossessions—Assist correspondent banks by repossessing automobiles, furniture, appliances, etc. which is the collateral for a delinquent instalment loan held by a correspondent bank. This assistance is provided when the borrowing is either in the Denver area or some other large metropolitan area. In the case of the Denver area we either repossesss the car ourselves or hire a firm to do it for us. Outside of the Denver area we contact a firm in that city and have them make the repossession. (There is no record as to which banks we have performed this service for).

B. Assistance in Establishing a Dealer Division—When a correspondent bank wishes to organize a Dealer Division in his bank we (1) furnish copies of our forms which have been approved by our legal department, (2) provide copies of Dealer Agreements (Repurchase and Non-Recourse), Full Endorsement Agreements and all of the other forms necessary to establish a Dealer relationship. (3) Provide Title and Filing information from our library as to the filing requirements in all 50 states. (There is no record of banks for which we have provided this service.)

C. Personnel Placement—Provide correspondent banks, upon request with names of qualified job applicants who might fit into their organization. (There is no record as to which banks we have provided this service for.)

Personnel Placement—1967, 1968, 1969, 1970

The Correspondent Bank Department assists in filling vacancies on the staffs of correspondents.

Equipment and Supply Purchasing—1967, 1968, 1969, 1970

The First National Bank of Denver purchasing department is in contact with many vendors of all types of merchandise in the Denver Area. Through these contacts, the purchasing department knows where to obtain many types of bank equipment and supplies, new and used. Additionally, the Correspondent Bank Department, through contact with many banks, often knows of used equipment for sale. Through these two sources, we are often able to locate and arrange for purchase of used equipment for our various correspondents.

Forms Design—1967, 1968, 1969, 1970

The First National Bank of Denver has its own printing shop and form design specialist. With the guidance of our legal counsel and experienced officers, the bank designs and prints most of its own forms. The Correspondent Bank Department, as a service to our correspondents, make available samples of our forms to aid and reduce the design cost of forms for our correspondents.

Pension and Profit Sharing—1967, 1968, 1969, 1970

The Pension and Profit Sharing Division of the Trust Department provides investment management, custodial, and record keeping services for correspondent banks.

Stock Transfer—1967, 1968, 1969, 1970

Transfer Agent:

A transfer agent acts as an agent for a corporation and changes the possession or control of stock by an order transferring stock received from an individual, Brokerage House or bank. The functions of a transfer agent are cancelling and issuing stock certificates and maintaining controls of shares.

Stock transfer receives these transfers either as a mail item or counter item. These transfers are set up on tickets which act as a control number and blanket insurance policy covering mailing of securities up to $1,000,000.00.

Each transfer is verified for signature of the stockholder, proper signature guarantees, power-of-attorney release, and legal papers if the transfer is considered a legal matter. The transfers that are legals are referred to the legal secretary before transfer. If everything is in proper order the old certificates are cancelled and new certificates are issued in exchange according to transfer instructions. This

information is typed on a debit and credit column sheet. The control sheet and new certificates are verified. All of the new certificates are dated, and signed by an Officer of The First National Bank of Denver or an individual authorized by the Board of Directors to sign on behalf of the bank. The new certificates are then mailed or returned to the counter for delivery.

The control sheet is dispersed and the Bank receives one copy, Trust Auditor receives one copy, Bookkeeping receives two copies and the original with the cancelled certificates are sent to file.

Stock Transfer Bookkeeping:

Bookkeeping verifies totals on transfer sheets received and post the debits and credits to the accounts involved. Proxies are usually run once a year. A stockholders register is prepared and mailed to the company.

Dividend checks are verified and mailed by the bank. A register is made for the company indicating name and address, shares held, dividend amount paid and check number.

Other Trust Services—Greeley National Investment Advisory Account—1967, 1968, 1969, 1970

The Greeley National Account is an investment advisory relationship which is operated on a very informal basis. The Greeley National is responsible for all trust decisions in the accounts and is also responsible for holding the securities and the accounting functions. Our function is to provide advice on investment policies and to review the individual investments in the accounts. The average value of the account is approximately $5,000,000. There are six basic accounts which we review on a regular basis. Two accounts are common trust funds which are patterned after our common trust funds. They will also occasionally call and ask us a question about a specific security which may be held in a trust account which is not regularly sent to us for review. The accounts are handled on a very informal basis.

Check Processing Division—1967, 1968, 1969, 1970

The Check Processing Division receives cash letters from 122 banks located in 13 states. These items comprise approximately 60% of the total check processing volume, or 275,000 items. Items are accepted without special sorting requirements. Drafts and foreign items are also accepted in the cash letters.

The cash letters are handled through normal check processing procedures. Cash letters received by 3:30 p.m. are credited to the correspondent bank's account as of date of receipt. Cash letters received after 3:30 p.m. are credited as of the next business day.

The dollar amount of the cash letters is proven through processing either by proof encoding machines or through on line proof of deposit computer processing.

Sorting into direct send patterns and cash letter listing is also by computer processing.

Items received in our incoming cash letters are presented for payment in one of the three following methods.

Items drawn on our bank are posted to our customers' accounts.

Items drawn on 36 banks located in the city of Denver are exchanged through the Denver Clearing House Association at 11:00 a.m. each day. Settlement is made through each member banks' account at the Denver Branch, Federal Reserve Bank of Kansas City.

Items drawn on banks outside the city of Denver are microfilmed before being prepared for departure from the bank. Outgoing cash letters to 104 banks which includes 79 correspondent banks and 25 Federal Reserve Banks are dispatched by transportation media selected for the earliest possible arrival time in the receiving banks' cities. (Includes armored motors, surface mail, airmail, REA Express, Air Freight).

COUPON DIVISION—1967, 1968, 1969, 1970

The Coupon Division handles coupons, Treasury Bills, Treasury Notes and due bonds for all customers (Correspondent Banks included).

The process for handling coupons and bonds includes preparing proper credit advices for correspondent banks, opening coupon envelopes, proving amounts and dates of coupons, routing the coupons to proper paying agents, typing collection letters via first class, Brinks or registered mail. Credit to our bank for these is received by Transit Payment.

Handling Treasury Bills and Notes includes checking

due dates, arranging in proper sequence order, hand cancelling and perforating bills and typing collection letters to the Denver Federal Reserve Bank for our credit.

Once a month the division clips coupons from the Safekeeping Vault. These coupons are processed in the same manner as coupons received directly from customers or correspondent banks.

TRANSIT DIVISION—1967, 1968, 1969, 1970

The Transit Payment Division is responsible for follow up on receipt and payment of all cash letters processed by the Check Processing Division. Return items from these cash letters are processed in the Transit Payment Division.

All cash letter copies received from the Check Processing Division are sorted by type (Federal Reserve Bank sendings, Correspondent Bank sendings and Transit Collection sendings) and availability dates. The cash letters are listed and balanced and appropriate entries made.

Return items are checked for reason of return, dollar amounts (over $1,000.00 are wired or called on), sorted by endorsements, cancelled, microfilmed and listed on appropriate debits to banks.

All cash letters and return items are acknowledged by the receiving banks. Those not appropriately acknowledged are traced by the Transit Payment Division.

Business Development Department—1967, 1968, 1969, 1970

The primary service offered by the Business Development Department to correspondent banks is recommending them and their services to companies either establishing or having operations in their locality.

MT/ST Division—1968, 1969, 1970

MT/ST stands for magnet tape—selectric typewriter. This division processes all types of wri'ten material for various departments in The First National Bank of Denver. This service is offered to our correspondent banks.

Other Operational Assistance—1967, 1968, 1969, 1970

From time to time the Operations Department of The First National Bank of Denver has provided advice and information as to miscellaneous operational problems to correspondent banks.

PLAINTIFF'S EXHIBIT 27

STUBBS DEPOSITION

The following deposition of Carrol L. Stubbs, Senior Vice President of defendant First National Bancorporation, Inc.'s subsidiary bank, The First National Bank of Denver, taken by plaintiff November 20, 1970, is offered in evidence by plaintiff.

Q. (By Mr. Schoepke) Would you state your name for the record, sir.

A. Carrol L. Stubbs.

Q. Where do you reside, Mr. Stubbs?

A. 3084 South Columbine, Denver.

Q. And what is your present employment?

A. I am Senior Vice President in the Correspondent Bank Division.

Q. Of what institution?

A. First National Bank of Denver.

Q. How long have you been with the First National Bank of Denver?

A. The last time, since 1933. I was employed by the bank two previous times.

Q. Oh, I see. Well, would you just briefly go through the periods of employment that you have had with the bank, and give your general position of duties, functions.

A. I was employed as a bookkeeper first, entered the Teller's Department; from there, on the utility staff, and——

Q. To the best that you can recall, could you give the approximate times that you spent in these various jobs, as you go along.

A. About two years in the Bookkeeping Department, one year and a half as a teller. I may have understated that a little. Probably seven or eight years on the utility staff, where I worked in every department of the bank. We did not have a Trust Department at the old bank, so I have never been in the Trust Department or the Credit Department, but I have worked in every other department of the bank.

Q. And did you call that part of the Utility Section?

A. Well, the utility staff, relieving department heads on vacation.

Q. I see. And for how long were you on this utility staff?

A. Oh, probably seven years. From there, as an assist-

ant to the Cashier, who was then Frank Dawson, we handled personnel and operations, did hiring and firing, along with operational duties.

Q. And then what was your next position?

A. To the Correspondent Bank Division.

Q. How long have you been with the Correspondent Bank Division?

A. Twenty or twenty-one years.

Q. When you first came to the Correspondent Bank Division, what was your function?

A. Assistant Cashier.

Q. And what were your duties as Assistant Cashier in the Correspondent Bank Department?

A. Generally, traveling the area to assist in operational problems for the smaller banks in the area, to assist them.

Q. And when you say "smaller banks," what do you mean?

A. Well, they rely upon us for expertise in assisting them, in advice as to purchasing equipment, setting up systems, personnel problems, assisting them in finding personnel. And from there, then gradually developing into the loan portion of the Division.

Q. Well, perhaps this would be a good place to ask you what the Correspondent Bank Department does. You have been just saying "small banks," which for the record doesn't mean very much. Would you just, on the basis of your experience and your function as head of the Correspondent Bank Division, tell us, what does the Correspondent Bank Division do?

A. Well, all banks have correspondents. We do have correspondents all over the country. The smaller banks need a larger bank for assistance in clearing their items—checks that are deposited in those banks that could be drawn anywhere in the world. They send them to us or Federal Reserve Bank. Many of them are not members of the Federal Reserve Bank.

We give assistance in loans, the problems that I have mentioned before—to assist them in any new developments that come out as far as machinery and equipment. We have taken some of their newly employed people into our banks to give them training in our various departments.

We still constantly do all of these things. We assist them in loans. Many of the banks in our area are small,

their demand for credit is high. Their loan limits are low. So they need assistance that way.

Q. Now, these banks you are referring to as correspondent banks, they are not affiliated with your bank?

A. No, sir.

Q. Other than being correspondent banks?

A. That's right.

Q. They are independent banks in their own communities, is that right?

A. Yes, sir.

Q. Now, do the personnel of the Correspondent Bank Department call on these banks?

A. Yes, sir. There are twelve men in the department and three secretaries. It is divided into three divisions. Four of the gentlemen travel generally from Denver south, clear to the Mexican border, as far as El Paso. That division covers Kansas, the Panhandle of Texas, all of New Mexico, southern Colorado, Arizona—very litle of Arizona, Utah, Salt Lake City.

The northern division, generally from Denver north, covers the Panhandle of Nebraska, South and North Dakota, the western end, all of Montana, Idaho, Wyoming, and I believe I mentioned northern Colorado.

We have a metropolitan division; there are three in that, that handle the banks in the immediate area.

Q. Now, why does First National Bank of Denver do all of these things for these small banks?

A. Well, correspondent banking, way back in history—as I say, we have to have correspondents in many large cities to assist us with our problems. It is the way of life, it has to be done. They have to have help. They need some institution that can assist them with foreign problems, transferring money to foreign areas.

Q. Perhaps you haven't gotten the import of my question.

A. Perhaps not.

Q. I said, why do you do these things for these little banks? Do you do it——

A. To build up our banks.

Q. Do you get anything in return for your efforts on behalf of the smaller banks?

A. Yes, they have deposits with us.

Q. And in what way do the deposits constitute a quid pro quo, let us say, for the services that you render?

A. Well, their deposit would come to us. It would consist of, in a smaller bank, where there's a few checks, those checks, and in the big ones, checks of this size (indicating). The only thing they pay us for is computer services. The rest is the deposits, which build our bank, which we use so that we can finance other institutions.

Q. In other words, the deposits that the correspondent banks keep here——

A. Yes, sir.

Q. ——you are able to use and put to profitable use, and that constitutes your reimbursement for the various services that you render?

A. Yes, sir.

Q. And is there a particular name for those deposits?

A. Correspondent bank balances, as shown on our statement.

Q. Now, I'd like to direct your attention to Interrogatory No. 22, Mr. Stubbs. I don't see your name on it, but this is an answer to Plaintiff's Interrogatory No. 22, and I would like to direct your attention to Section C. of Interrogatory No. 22, which is on the 17th page, and at the top of the page is the following statement: "The Correspondent Bank Department, as one of its basic purposes, assists correspondent banks with overline loans and participation loans to a variety of borrowers."

Now, would you state for the record what is an overline loan, in the sense that the term is used there?

A. The regulation provides that a national bank can only loan to one customer ten per cent of their capital and surplus. State banks can loan fifteen per cent. For instance, if a bank's ten per cent is only $50,000.00, and they have a request for a $150,000.00 loan, they can only go to fifty. They must find some place for the other, if they wish to take care of their customer.

Q. Well, now, you have told us what a lending limit is. Would you tell us what an overline is.

A. That is an overline—the amount over the amount that they can loan is an overline. The additional $100,000.00 in the example that I presented is an overline.

Q. Yes. Now, the statement I just read to you indicates that the Correspondent Bank Department, as one of its basic purposes, assists correspondent banks with overline loans. Would you tell us in what way the Correspondent Bank Department does assist correspondent banks.

A. When they have a request like this which they cannot handle, they bring that request to us and ask for our assistance in taking the overline. We review the loan, just as we would anyone that comes into our bank, and if it meets our credit terms, we will then, through that bank, take that portion of the credit.

Q. In other words, you take the overline as a——

A. As a loan, then, in our portfolio.

Q. The overline becomes part of your loan portfolio?

A. Yes, sir.

Q. Now, that sentence on the 17th page of Interrogatory Answer No. 22.C. also mentions participation loans, and I wonder, would you tell us, as a banker and with extensive experience in correspondent banking, what the meaning of the term "participation loan" is?

A. In the same example that I gave, the note will be drawn for $150,000.00. A certificate called a participation certificate, which is a legal document, states that First National Bank of Denver is participating in that credit of $150,000.00, in the amount of $100,000.00. It is our obligation. They no more have the obligation in the country bank.

Q. And that participation refers to the overline which exceeds the correspondent bank's lending limit?

A. Yes.

Q. Is that correct?

A. Yes, sir.

Q. Now, are there other banks in the City of Denver which are engaged in the correspondent banking business?

A. Yes, sir.

Q. What are the other banks?

A. Ourselves, United Bank of Denver, Security National, American National, Colorado National, Central Bank—that I'm sure of.

Q. Do you happen to know for whom Security National Bank is the correspondent? Do they have very many accounts, do you know?

A. Not very many.

Q. Do you happen to know, of your own knowledge, for whom they act as Denver correspondent?

A. I know of one for sure—First National Bank of Grand Junction. Excuse me, I better add to that that they are a holding company bank also. They do correspondent work for their own banks, if that is considered pertinent.

Q. Security Bank?

A. Yes. That's the First of Englewood, and University Hills.

Q. Oh, the other member banks of their holding company.

MR. METZGER: As well as the First National of Grand Junction.

Q. (By Mr. Schoepke) Which is not part of their holding company?

A. That's right.

Q. Mr. Stubbs, in Interrogatory Answer 22.C., on the 32nd page, under the term "Other Trust Services," there is a section called "Greeley National Investment Advisory Account." Are you familiar with the Greeley National Investment Advisory Account?

A. Well, I am not a trust man, for sure, but I know our Trust Department helps them, advises them on their bank's investments.

Q. Well, the description of the account is rather complete. I just wondered if you could clarify one thing.

A. May I read that?

Q. Would you want to read through that section, and then perhaps we can save a little time.

(Pause.)

Q. Mr. Stubbs, I am asking you about this simply because this is included in the particular Interrogatory answer that is concerned with correspondent banking. Now, I just don't want to make any false assumptions. The first sentence reads as follows: "The Greeley National account is an investment advisory relationship which is operated on a very informal basis." And the second sentence continues: "The Greeley National is responsible for all trust decisions in the accounts," et cetera.

The term "Greeley National"—do you happen to know, does that refer to the Greeley National Bank?

A. I know it does.

Q. All right. Do you happen to know how this relationship between the Greeley National Bank and the First National Bank of Denver, with respect to this Greeley National Investment Advisory Account, originally came about?

A. Yes. This is another correspondent service. We have a huge Trust Department and a full group up there, that

are presumably experts in the financial field, in investments. This bank has asked our Trust Department for advice on investments.

Now, as far as an account goes, if that means a depository account, I do not believe that is the term that the—as far as an account with our bank, a depository account, I don't believe that is the connotation on that.

Q. Well, I think the thing probably speaks for itself. The second sentence reads: "The Greeley National is responsible for all trust decisions in the accounts, and is also responsible for holding the securities and the accounting functions. Our function is to provide advice on investment policies, and to review the individual investments in the account."

A. That's correct.

Q. Does Greeley National Bank presently have a correspondent relationship with First National Bank of Denver?

A. Yes, sir.

Q. Do you know or are you in a position to state whether or not, if the First National Bank of Greeley is acquired as an affiliate or a subsidiary of First National Bancorporation of Denver, whether this particular relationship between Greeley National Bank and the First National Bank of Denver will continue?

A. I can speak for our bank, because we have had a conversation with them and our relationship—we have told them that our relationship, as far as assisting their bank, will not change.

Q. Going back, if I may, Mr. Stubbs, to the statement on page 17 of the Interrogatory answers, which sets forth the basic purposes of the Correspondent Bank Department, the paragraph at the top of page 17 states: "The Correspondent Bank Department, as one of its basic purposes, assists correspondent banks with overline loans and participation loans to a variety of borrowers. Also included in the loan makeup are direct loans to banks and bank officers."

I wonder if you would describe the loans that are made to your correspondent banks and to their bank officers.

A. Well, on occasion a bank's liquidity position becomes such that, for one reason or another, they have to borrow money—a bank. This is a bank I am talking about now.

There was one on my desk just now—I talked to the bank in Worland, Wyoming—that will be short of cash. They only matured it to November 26th, which is only for a few

days. We will loan that bank $100,000.00. That is the loan to the bank. They are secured by either Government Bonds or Municipal Bonds, and that is provided in the regulation. That is the only loan to a bank.

Q. To a bank?

A. Yes, sir.

Q. And then you say that also included in the loan makeup, in addition to such direct loans to banks, are loans to bank officers,

A. There is a regulation on bank officers borrowing from their own bank. A lot of banks do not want their officers to borrow, even though they can borrow within the limits. We loan many bank officers, for various purposes—buying a car, or a mortgage on a home, purchasing stock, some livestock.

Q. And this is one of the services that you render to your correspondent banks?

A. Yes, sir.

Q. The last sentence states as follows: "These loans are of every type and classification as those loans made by the First National Bank of Denver for its own portfolio." Am I correct in interpreting that to mean that every type of loan made by First National of Denver is also made through the correspondent relationship with its various correspondent banks?

A. That is generally true. We might have an automobile dealer's loan from some bank that is too large for them, or a finance company. We handle a lot of livestocks, real estate. Generally, I would say that is quite true.

Q. Would that include agricultural loans?

A. Yes, sir.

Q. Do you take many overlines from your correspondents on agricultural loans?

A. Most of our loans are agricultural loans, in our department.

Q. In the Correspondent Bank Department?

A. Yes, sir.

Q. By which you mean that that represents overlines in agricultural loans which you have taken from your correspondent banks?

A. Not all of our loans are from correspondents. We do have some direct livestock——

Q. Agricultural loans?

A. Monfort, you talked about. That is a direct loan, has nothing to do with the correspondent bank.

Q. But the Correspondent Bank Department does take gricultural loan overlines from its correspondents as appropriate, does it not?

A. Yes, sir.

Mr. Metzger: You might want to supplement the previous answer with regard to correspondent relationships. hey are not entirely overlines and participations. There re often situations where the correspondent is so fully oaned that he simply asks you to take a very substantial ortion of his loans, and it is not an overline relationship, ecessarily.

Mr. Schoepke: I see.

Q. (By Mr. Schoepke) Would you adopt that as a supplement to your previous answer, Mr. Stubbs?

A. Yes. In many instances, the banks out in the country o not have sufficient capacity to take care of their customers, even up to their legal limit. In one real instance, ne bank is only taking ten percent of the loans we participate in, and we are taking ninety, because they don't have ny money.

Mr. Metzger: Just a supplement.

A. (Continued) But that is not an overline.

Q. (By Mr. Schoepke) That is a participation, in other words?

A. It is a participation, but it is not an overline above heir legal limit.

Q. Yes. In other words, as Mr. Metzger stated it, they are oaned up?

A. Yes, sir.

Q. Their loan to deposit ratio is pretty much at the limit?

A. Yes, sir.

Q. And they have some customer that they want to accommodate, so they take one of their existing loans, and hrough some legal process, an assignment——

A. It is the same type of——

Q. They sell it to you, do they not?

A. It is the same type of participation certificate, but it s not necessarily the amount above their legal limit.

Q. And then that participation certificate becomes a part f your portfolio?

A. Yes, sir.

Q. And in return for that, you credit their account with your bank or send them the cash?

A. Well, we credit their account and they use the money.

Q. And then they may use that amount of money for other purposes of their own particular operation?

A. Yes, sir.

Q. Now, does your department make calls on correspondent banks? I believe you alluded to that briefly, and I wonder if you would describe that a little more fully, what the nature of these calls is.

A. Yes, sir. Well, in those divisions I mentioned earlier, the groups south, north, and metropolitan area, we call on all of our correspondents at least twice a year—some of the larger cities, more than that. Well, sometimes all of them more than that, if we can get around the territory that fast.

Q. And what is the purpose of these calls?

A. Public relations, keeping your name in front of them, offering assistance, presenting new ideas, anything that is pertinent at the time. It is extremely helpful if you have some opening thing to say when you go into a bank, rather than go out and be a whiskey salesman.

(Discussion was had off the record.)

Q. Well, is it fair to say that one of the reasons you call on your existing correspondents is to keep them as correspondent bank customers of yours?

A. Yes, sir. In addition, though, we call on banks that are not our correspondents.

Q. That is my next question.

A. We try to call on everyone in the area. Well, there are a few exceptions. There is no reason for us to call on every bank in Montana. They do their correspondent work with Billings or Great Falls or Helena. We call on the larger banks in the outlying states.

The near banks, in Nebraska, Wyoming, Colorado, New Mexico—we call on every one.

Q. How about Colorado? Whom do you call on in Colorado?

A. I am confident that over the year our boys will cover ninety percent of every bank in Colorado.

Q. Now, I gather from a statement you just made a moment ago that this includes banks which are not existing correspondents?

A. That's right.

Q. Why do you call on banks who are not existing correspondents of yours?

A. Well, the day might come when they become disenchanted with their correspondent bank and want to move. That happens seldom, but it happens. We have good friends in banks that are not correspondents of ours.

Q. Well, when the members of your Correspondent Bank Department, your subordinates who are assigned to these duties, call on non-correspondent banks, what do they talk about?

A. General banking conditions. We try to get all the business we can, and that is the only way you can—if you don't call on them and something happens and they need help, they are not going to let us know about it, they will talk to the people that they are friendly with and that have talked with them.

Q. Well, do you try to solicit their business as a correspondent bank?

A. Sure, sure—"Some time, we hope, we can be of help to you."

Q. That is the basic purpose of the call?

A. Sure, it is.

Q. Salesmanship?

A. Yes, sir.

Q. On the basis of your knowledge of the banking business, do the other banks in Denver who have correspondent departments do similar things, calling on customers?

A. I do not believe Security does, but I know all the rest do, yes, sir.

Q. That is, calling on their existing correspondents and also——

A. On ours.

Q. And also calling on their non-existing correspondents, which would include some of yours?

A. Yes, sir.

Q. And perhaps try and take them away from you?

A. Yes, sir.

Q. And so, in this respect, would you say that you are in competition with the other correspondent banks in Denver?

A. Very much so.

Q. Mr. Stubbs, do you happen to know how long the United Bank of Denver, or the former Denver U.S. National Bank, has been in the correspondent banking business?

A. Not for sure, but I am confident they have been as long as we have, and also the——

Q. Have they been in the correspondent business as long as you have been with First National Bank of Denver?

A. Yes, sir.

Q. How about the Central Bank? How long have they been in the correspondent business?

A. At least as long as I have been in the department. All of the banks except Security have.

Q. Have been in this correspondent banking business, in competition with you, since you have been in the department?

A. I'll take that back. American National, until their acquisition by the holding company, was not active in the correspondent business.

Q. Do you recall when they——

A. They had some accounts, but they were not competitive.

Q. Not active. Do you recall about how long ago it was that they commenced?

A. The American?

Q. Yes, commenced correspondent business.

A. Well, it was during Eisenhower's term. They were acquired in '57. This was at the time before Eisenhower signed the holding company bill. They immediately came in here and bought three banks—Wyoming, Montana, New Mexico, immediately.

Q. And did the American National Bank start a correspondent banking department shortly after that?

A. They had a few correspondent accounts, but they were not active, really.

Q. Well, when did they become active?

A. Immediately after their acquisition.

Q. Mr. Stubbs, I would like to direct your attention to Interrogatory No. 36, which is concerned with business solicitation. I wonder if you would clarify for me, on this question of business solicitation, what the relationship, if any, is between the Business Development Department and the Correspondent Bank Department.

MR. METZGER: Plenty.

Q. (Continued) In terms of responsibility.

A. Other than in visiting with banks, we as such do not

have any responsibility in soliciting business locally, in our department.

Q. Now, you say locally. How about in towns or cities outside of Denver? Do personnel from your department make direct contact with distant borrowers?

A. Yes, sir. I can enlarge upon that. They do provide us the information, in Business Development, because they have access to that that we do not. They prepare a call sheet for us.

Q. They prepare a call sheet, give it to you, and then you give it to the appropriate person who is covering that area, who makes the calls?

A. Yes, sir.

(Discussion was had off the record.)

Q. Mr. Stubbs, with respect to the Corerspondent Bank Department, you have indicated that you offer and render these various services to your correspondent banks, and in return they keep a balance with your bank and you have the use of that money?

A. Yes, sir.

Q. Is the Correspondent Bank Department a profitable operation to the bank?

A. You want me or our accountant to answer that one?

MR. METZGER: Our accountant, please.

A. (Continued) I am confident it is, yes, sir.

Q. (By Mr. Schoepke) Referring back to Interrogatory Answer No. 36 again, the fifth page, at the bottom of the page, the last paragraph, it states that "State Bank of Greeley closed their account with us on March 23, 1970."

Do you happen to know why the State Bank of Greeley closed their account with you on that date?

A. Their main account was with Greeley National. They opened a small account with us, very small. We assisted them in one credit. The gentleman that owned the bank passed away about that date, right close there. They really have no reason to have an account with us at all. There was no ill feeling whatever, but they are doing their business with Greeley, Greeley then to us.

Q. Do they have a correspondent account in Greeley?

A. Greeley National Bank.

Q. I see. And then, from there, Greeley National Bank handles any Denver matters that they have, is that right?

A. Yes, sir.

Q. Now, Interrogatory 36, on the sixth page, lists loan customer calls at correspondent banks, and reads as follows: "The below listed accounts are now or have been loan customers of the First National Bank of Denver. They are separated into participations from banks and direct loans."

Then there follows after that paragraph a list of various banks and other organizations on which calls were made. But on page 8, there is a category entitled "Direct Loans, Correspondent Bank Department," and there is a list of organizations, and do those represent loans which are made directly with the First National Bank of Denver?

A. Yes, sir.

Q. As opposed to overlines or participations from correspondent banks?

A. Yes, sir, every one of those are.

Q. Mr. Stubbs, I'd like to direct your attention to Interrogatory No. 4, which is concerned generally with questions about the interest rates charged by First National Bancorporation and various of its subsidiaries. I would particularly direct your attention to the 18th page of that Interrogatory Answer No. 4, which states as follows: "Direct loans made to correspondent bankers for the purpose of purchasing the bank's stock have generally been one-half to one and a half per cent under the existing prime rate. These rates were established in response to significant competition from major banks for correspondent bank accounts and balances."

Are you able to tell me how often loans have been made to your correspondent bankers for the purpose of purchasing their own stock?

A. This is constant.

Q. It goes on constantly?

MR. METZGER: Let's distinguish the two categories.

A. We are talking about—well, what type of loan, a $500.00 loan, a $1,000.00 loan? We loan the little boys in the banks, to be able to buy ten shares of stock if they wish, as a way to help them out.

Q. (By Mr. Schoepke) Well, I'm just asking you, is this done frequently?

A. Yes, sir.

Q. Or is it a rare occasion?

A. Yes, that is done frequently.

Q. Well, now, you stated a moment ago that such loans are made in small amounts, and I believe you used the term "little guys." Are such loans made in other amounts than small amounts?

A. Oh, yes, sir.

Q. And has that happened on a regular basis or on an infrequent basis?

A. Not a regular basis, no. The opportunity doesn't arise that often. Large bank stock loans—we have about ten, I believe.

Q. Well, now, you say you have about ten. How do you happen to know that approximate figure?

A. Well, I certainly try to keep up with all the loans in our division.

Q. Do you have records that would indicate the loans that are made to officers of your correspondent banks, for the purpose of——

A. Surely.

Q. Would you be able to assemble a list of those loans or——

A. On certain of the small ones, I don't know that we would be able to determine for sure what the money was used for. Yes, on the larger ones, we would.

Q. Now, when the loan is made to correspondent bankers to purchase the bank's stock, is the stock pledged as security for the loan?

A. Most of the time. Sometimes, if they are borrowing just for qualifying directors' shares, they cannot pledge that stock.

Q. Well, now, when that stock is pledged, where in the bank, in the First National Bank of Denver, does it go?

A. In our Collateral Department, with other collateral.

Q. And is a record kept of the fact that it is security for a loan pledged by a correspondent banker, for purchase of his stock in his bank?

A. Each borrower has a separate sheet down there. Ask that again, will you.

(Question read.)

A. No, sir, not for purchase of the stock. It is listed on this collateral sheet, what the stock is, but they have no record of what it was used for.

Q. But there is an existing collateral sheet of all——
A. All pledged collateral, yes, sir, in the whole bank.
Q. All pledged collateral?
A. Yes.
Q. With regard to these loans made to officers of correspondent banks, to purchase stock in their own banks, do those banks maintain correspondent balances with the First National Bank of Denver?
A. In most instances.
Q. Now, in that kind of a loan, is it customary to require from the officer himself the maintenance of a compensating balance of any kind with the First National Bank of Denver?
A. No, sir.

(Pause.)
THE WITNESS: No, sir.

Q. (By Mr. Schoepke) Mr. Stubbs, now that you have had a lengthy conversation with Mr. Metzger, would you answer the question, please.

MR. METZGER: Now, let me state on the record, to make it clear, what we were talking about. My representations with any of the witnesses of this bank have been for the purpose of clarification. If counsel wishes to ask some questions and to have answers that do not reflect the witness's true understanding of the facts, then I suggest that he is representing the wrong agency. I think we have had enough of this kind of representation in the record of this proceeding, and I hope that we can stop it from now on.

MR. SCHOEPKE: Well, it is certainly not customary for a lawyer to instruct the witness in the course of a deposition, as to the answer he should give, or coach him in the manner that sometimes apparently takes place before Congressional committees.

Again, I state, as I stated yesterday, that if Mr. Metzger wants to bring out things, he may bring them out on cross-examination. I have not made a technical issue of this, but I do think that sometimes, Mr. Metzger, you are carrying it a little bit too far.

MR. METZGER: Thank you for your instruction as to procedure in these matters, counsel. Now, would you proceed.

MR. SCHOEPKE: Now would the reporter state the last question.

(Previous question and answer read.)

THE WITNESS: That is a correct answer.

Q. (By Mr. Schoepke) Does that answer stand?

A. Yes, sir. It isn't customary in individual loans. You know—General Motors and General Electric, certainly we require compensating balances.

Q. You do?

A. Sure. Everybody does.

Q. But you said—did I misunderstand you? You said it was not customary or it was customary——

A. It was not customary for the individual.

Q. For individual loans?

A. (The witness nodded affirmatively.)

Q. Not customary, for loans to individual persons, to require a compensating balance?

A. That is correct, it is not.

Q. Is it customary in individual loans to require them to post collateral of some kind?

A. No.

Q. Now, does your Correspondent Bank Department call on the customers of the other banks in Denver who are in the correspondent banking business?

A. The customers of other banks?

Q. Of the other banks in Denver that you have identified as being engaged in the correspondent banking business.

A. If I understand the question, do we call on customers of banks that also have correspondents?

Q. Yes.

A. Surely.

Q. And for what purpose do you call on them?

A. Solicitation of their business.

Q. You try to take them away, perhaps, from their existing correspondent?

A. Surely.

Q. Is that correct?

A. From competition, yes, sir.

Q. Does your Correspondent Bank Department solicit correspondent business of the subsidiary banks of other Colorado holding companies?

(Pause.)

A. I am trying to think in an area where a company, in Littleton or some place—yes, if they are good customers,

we certainly want to get them. Yes, we will make calls on them. Well, our department will not, the Business Development Department will.

Q. That was not the question, Mr. Stubbs. Do you solicit the subsidiary banks of other Colorado holding companies?

A. No, sir. If I understand your question, the present banks in the United Banks of Colorado holding company—do we go solicit accounts from them?

Q. Yes, that is my question.

A. Yes, on that basis—some.

Q. I don't know what you mean, "on that basis." You had a long conversation here with Mr. Metzger. Just answer the question.

A. There are several holding companies in Colorado. We have not solicited any account from any member of their holding company, or Colorado National's holding company. The new holding company just formed, A.B.C., the thirteen-bank holding company, yes, sir.

Q. They have no Denver subsidiary at this time?

A. That's right.

MR. SCHOEPKE: Well, I have no further questions.

Is there anything that you haven't covered, that you'd like to bring out on cross, Mr. Metzger?

MR. METZGER: I have asked no questions to date, counsel. I hope the record is very clear on that, and thank you very much, Mr. Stubbs.

MR. SCHOEPKE: We will adjourn your deposition to an indefinite future time.

MR. METZGER: This is a representation of the Government with which counsel for t' defense does not concur.

_____
(Signature of Witness)

Subscribed and sworn to before me

this ..... day of ....., 1970.

My Commission expires .....

.....
Notary Public

PLAINTIFF'S EXHIBIT 28

MEMORANDUM

The First National Bank of Denver

FROM:
Bruce E. Dines

DATE: 1/7/70

TO:
Thomas P. O'Rourke

SUBJECT AND/OR REFERENCE:

C. C. TO:

On 1/7/70 Bob Gilpin, President, First National Bank of Greeley, asked Royce Clark for help in soliciting an unknown division of Kaiser seeking a 4½ acre plot of land near Greeley. I reviewed our Kaiser files and particularly your most recent correspondence with William Hobbs, Treasurer of *Kaiser Aluminum & Chemical Corp.*, and Irving Bolton, Treasurer of Kaiser Foundation Health Plan. I later passed this information on to Rex Eaton of The First National Bank of Greeley. This memorandum is directed to you for two purposes. One, to place on record the First National Bank of Greeley's interest in Kaiser; and two, to suggest that you take all of the Kaiser files and consolidate them under one prospect.

MEMORANDUM

The First National Bank of Denver

FROM:
Tom O'Rourke

DATE 6/1/70

TO:
Correspondent Bank Department
SUBJECT AND/OR REFERENCE:
Dravo Corporation

C. C. TO:

Mellon Bank File
Minnequa Bank File
Dravo Corporation Pros. File

Kenyon of the Minnequa Bank asked our assistance in soliciting the Dravo business eminating out of Pittsburgh. TOR spoke with Tom Eddy of the Mellon 5/29 who stated he would speak to the Dravo treasury office (I. L. Hillman) in our behalf for Minnequa.

Dravo is an active prospect of ours and I don't know how effective we will be in the Minnequa's behalf. TOR should follow up no later than June 5 with the Mellon bank if we do not have a letter from them.

MEMORANDUM

The First National Bank of Denver

FROM:
John F. Faulkiners—Vice President

DATE 8/25/70

TO:
Bank File

SUBJECT AND/OR REFERENCE:
First National Bank of Greeley

C. C. TO:

Reading File
(Copy sent to
Correspondent Banks)

Rex Eaton from the First of Greeley called and reported that Transamerica Title Insurance Company of Denver is about to acquire the Weld County Title Company. Weld County Title carries an account with the First of Greeley, but their larger banking relationship is with another Greeley bank. Rex asked our help in getting some additional business.

I called Lloyd Hughes, Senior Vice President of Transamerica who reported that the sale is under negotiation but is not completed. Lloyd said the key people determining the banking are Jim Hickman who is Executive Vice President for Transamerica for this entire region. Jim is conducting the negotiations and will have the responsibility for the new office as well as for Transamerica's other activities. The Comptroller of Transamerica is Jim Leonard who will be specifically responsible for banking relationships. Leonard's office is in the Transamerica Building next door on Welton Street. If the acquisition is completed, Weld County's book will be kept at this office. I called Eaton with this information and suggested that as soon as he hears for sure that the acquisition has been completed, he let us know and we will arrange a meeting with Hickman and/or Leonard for him.

Plaintiff's Exhibit 29

Interrogatory 25

(A) List each commercial bank with which FNB Greeley maintained a relationship as a correspondent bank customer at any time during the period January 1, 1967 to date and state the type and dollar amount of each account maintained by FNB Greeley with each such correspondent bank during such period of time.

• • • • •

Demand Deposits (to nearest $)	1-1-67	12-31-67	12-31-68	12-31-69	8-31-70
The First National Bank of Chicago	42,145	41,362	23,316	30,715	15,157
Harris Trust & Savings Bank, Chicago	—	—	20,100	19,836	19,836
Colorado National Bank, Denver	1,827,823	2,785,860	1,507,680	343,903	167,238
Denver United States National Bank	136,284	70,171	137,783	117,301	61,337
First National Bank of Denver	131,284	23,782	66,206	873,819	976,526
Security Pacific Nat'l. Bank, Los Angeles	40,933	37,684	33,913	17,214	21,076
Chase Manhattan Bank New York	95,093	53,850	27,475	23,988	20,831
First National Bank of Omaha	—	38,292	21,933	21,933	53,840
Security Trust Company Rochester	—	—	—	25,157	25,000
United California Bank San Francisco	22,199	27,807	26,256	19,359	17,859
Wells Fargo Bank of San Francisco	—	—	22,871	23,029	22,529

Response to the above interrogatory was given by Mr. Alejandro M. Gillespie, Vice President and Controller, The First National Bank of Greeley.

Interrogatory 25

(B) Describe each of the correspondent services provided to FNB Greeley by each of its correspondent banks in each of the years 1967, 1968, 1969 and 1970 to date.

• • • • •

	1967	1968	1969	1970
Colorado National Bank, Denver				
(EDP Services				
(Regular Savings Accounts	x	x	x	8/31/70 **
(Checking Accounts	x	x	x	7/ 6/70 **
(Payroll-FNB Greeley	x	x	x	6/30/70 **
(City of Greeley water billing	x	x	x	x
Colorado Bankamericard Services	4/67 *	x	x	x
Coupon collections, cash letter processing, daily	x	x	4/69 **	
Wire Transfer Services	x	x	x	x
Business referrals & account assistance	x	x	x	x
Loan overlines	x	x	x	x
Bank Drafts	x	x	x	x
Fed Funds	x			
Safekeeping of securities	x	x	x	x
Harris Trust & Savings Bank, Chicago				
Trust Investment counseling services			x	x
Bank Drafts		x	x	x
Denver U.S. National Bank				
Fed Funds		x	x	x
Bank Drafts	x	x	x	x
The First National Bank of Denver				
(EDP Services				
(Regular Savings Accounts				8/31/70 *
(Galaxy 5 Savings Accounts				1/ 2/70 *
(Certificates of Deposit			10/69 *	x
(Savings Certificates			10/69 *	x
(Checking Accounts				7/ 6/70 *
(Payroll-FNB Greeley				7/ 1/70 *
(Municipal Bond Analysis	x	x	x	x
Coupon collections, cash letter processing, daily			4/69 *	x
Wire Transfer Services				x
Business referrals & account assistance				x
Loan overlines	x	x	x	x
Foreign Exchange Services	x	x	x	x
Safekeeping services	x	x	x	x

* Date started using service.

** Date service was no longer used.

	1967	1968	1969	1970
First National Bank of Omaha				
Loan overlines	x	x		x
First National Bank of Chicago				
Loan overlines			x	x
Wells Fargo Bank, San Francisco				
Loan overlines		x	x	x
Bank Drafts	x	x	x	x
Business referrals & account assistance	x	x	x	x
All other Correspondent Banks				
Bank Drafts	x	x	x	x
Business referrals & account assistance	x	x	x	x

Response to the above interrogatory was given by Mr. Alejandro M. Gillespie, Vice President and Controller, The First National Bank of Greeley.

Plaintiff's Exhibit 30

Gillespie Deposition

The following excerpts are offered in evidence by plaintiff from the deposition of Alejandro M. Gillespie, Vice President and Controller of defendant First National Bank of Greeley, taken by plaintiff November 19, 1970. Each excerpt is preceded by a reference to the page and lines of the transcript from which it is taken. Questions are by government counsel unless otherwise noted.

(p. 2 lines 10-17)

Q. (By Mr. Lipkowitz) Would you please state your name for the purpose of the record?

A. Alejandro M. Gillespie.

Q. And what is your address?

A. 1103 9th Avenue, Greeley, Colorado.

Q. And what is your position with the bank?

A. Vice-president and controller of the First National Bank of Greeley.

(p. 4 line 1—p. 5 line 16)

Q. Here is the Answer to Interrogatory No. 25 which you also prepared. I believe it lists the accounts that First National Bank of Greeley maintains at various banks around the country. Could you describe the nature of the correspondent accounts first held in various Denver banks?

A. Well, the three banks involved in Denver, there is the Colorado National Bank, the Denver United States Bank, or the United Banks of Denver now, the First National Bank of Denver. We have had correspondent relations with these three banks all the time I have been in the bank and probably 50 years earlier than that.

Q. Would you describe the change in recent months of the size of the correspondent balance maintained with the various banks there in Denver?

A. Yes. I think the greatest change that would show up here would be between the Colorado National Bank and the First National Bank of Denver. They have traditionally been our principal correspondent bank in Denver. *In view of the hoped for association with the Bancorporation, we changed our principal correspondent relationship with the First National Bank of Denver.*

Q. What sort of service have these banks provided to the First National Bank of Greeley in the past?

A. Well, in the past they were strictly depositor relationships, and in addition to this there would be some custodial service at the Colorado National Bank, particularly there used to be.

Q. Would it be fair to state that you have also transferred banks for the purpose of providing such things as payroll and checking accounts and regular savings accounts, bookkeeping service or computer service from Colorado National Bank to First National Bank following your decision?

A. Right. The only exception to that would have been a computer service provided by the First National Bank with regard to our municipal bond portfolio which we started with the First National Bank. That was not transferred. This runs back three or four years.

Q. And it's still here at the First National Bank of Denver?

A. Right. The other services were transferred in contemplation of this merger.

PLAINTIFF'S EXHIBIT 31

Interrogatory 19

State the legal lending limits of (A) each Bancorporation subsidiary bank, (B) FNB Greeley and (C) the combined limits of (A) above, as of January 1 for each of the years 1967 through 1970.

* * * * *

(A) Legal lending limit of each Bancorporation subsidiary bank:

	Jan. 1, 1967	Jan. 1, 1968	Jan. 1, 1969	Jan. 1, 1970
The First National Bank of Denver	$3,000,000	$3,000,000	$3,000,000	$3,000,000
The First National Bank of Bear Valley	40,000	40,500	41,500	50,000
The First National Bank of Northglenn	32,500	33,000	33,500	44,000
The First National Bank of Southglenn	22,500	22,500	22,500	25,000

(B) Legal lending limit of The First National Bank of Greeley:

The First National Bank of Greeley

$250,000 $270,000 $300,000 $300,000

(C) Combined legal lending limits of (A) above:

Combined legal lending limits:

$3,095,000 $3,096,000 $3,097,500 $3,119,000

All of the above are National Banks, thus "Legal Lending Limit" for purposes of this analysis is defined as 10% of the sum of Capital Stock and Surplus.

The above response was given by Mr. Richard S. Fitzgerald, vice president of The First National Bancorporation, Inc.

PLAINTIFF'S EXHIBIT 32

Interrogatory 40

(A) State Whether FNB Greeley has given any consideration during the period January 1, 1965 to date to increasing its lending limits.

(B) If the answer to (A) above, is in the affirmative,

(1) Describe the ways and means by which it was proposed to increase its lending limits;

(2) Identify the individuals who participated in the discussion of each such proposal; and

(3) State whether each such proposal was adopted or rejected, and the reasons for such adoption or rejection.

* * * * *

Between 1965 and the present, there have been three increases in the capital and surplus accounts of First National Bank of Greeley which have, in turn, occasioned increases in "lending limits." They were as follows:

At the Annual Meeting of The First National Bank of Greeley held January 25, 1966, the capital of the bank was increased from $1,000,000 to $1,200,000. At the same meeting the surplus was increased from $1,000,000 to $1,300,000. This increased capital and surplus raised the bank's legal lending limit from $200,000 to $250,000. The increase in capital became effective April 1, 1966 when the approval certificate was received from the Comptroller of the Currency.

The second increase in the bank's legal limit was from $250,000 to $270,000. It took place by action of the Board of Directors on November 23, 1967 when the surplus account was increased from $1,300,000 to $1,500,000.

The third increase in the bank's legal lending limit took place at the Annual Meeting held on February 23, 1968 when the capital account of the bank was increased from $1,200,000 to $1,500,000. This became effective April 1, 1968 upon receipt of the certificate of approval from the Comptroller of the Currency. FNB Greeley's legal limit then became $300,000 as it is today.

As was previously stated in Interrogatory 19, the lending limit of the bank is considered to be only 10% of the capital

and surplus accounts unless prior approval is given by the Board of Directors.

Response to this interrogatory was given by Mr. Rex C. Eaton, Jr., Executive Vice President of The First National Bank of Greeley.

PLAINTIFF'S EXHIBIT 40

APPLICATION

To the Board of Governors of The Federal Reserve System

by

THE FIRST NATIONAL BANCORPORATION, INC.

(Name of Applicant)

621 Seventeenth Street, Denver, Colorado 80202

(Address)

FOR PRIOR APPROVAL OF ACQUISITION OF BANK SHARES PURSUANT TO SECTION 3(a)(3) OF THE BANK HOLDING COMPANY ACT OF 1956, AS AMENDED

Application

For Prior Approval of Acquisition of Bank Shares Pursuant to Section 3(a)(3) of the Bank Holding Company Act of 1956, As Amended

THE FIRST NATIONAL BANCORPORATION, INC.
(Name of Applicant)

(hereinafter called the Applicant), a Corporation organized under the laws of Colorado, and having its principal place of business at Denver, Colorado, hereby applies to the Board of Governors of the Federal Reserve System (hereinafter called the Board), pursuant to section 3(a)(3) of the Bank Holding Company Act of 1956, as amended, for prior approval by the Board of the acquisition by the Applicant of direct or indirect ownership, control, or power to vote, of 80% or more of the voting shares of:

THE FIRST NATIONAL BANK OF GREELEY
(Name of Bank)

1025—9th Avenue, Greeley, Colorado 80631
(Address)

(hereinafter called the Bank or Greeley).

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For the purpose of obtaining the Board's prior approval of the acquisition of direct or indirect ownership, control, or power to vote of 80% or more of the voting shares of The First National Bank of Greeley, Greeley, Colorado, the Applicant submits herewith as part of this application the following Exhibits prepared in accordance with the general information and instructions as required by Section 3(a)(3) of The Bank Holding Company Act of 1956, as amended.

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Description of Bank's Services Relative to the Convenience and Needs of the Area it Serves ... F-1

EXHIBIT G

Competitive Situation G-1
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Exhibit G-2—Map Showing Location of All Banks and Nonbank Financial Institutions Located Within the City of Greeley G-15
Exhibit G-3—Graph Indicating Per Cent of Number of Lien Documents Filed in Greeley's Primary Service Area G-16

The Applicant represents that the information contained in this application is true and complete to the best of its knowledge and belief.
Executed this 9th day of July, 1969.

THE FIRST NATIONAL BANCORPORATION, INC.
(Name of Applicant)

By Illegible
(*Authorized Officer*)

ATTEST:
Edward B. Close, Jr.

Definitions

Applicant—The First National Bancorporation, Inc.

First National—The First National Bank of Denver.

Bear Valley—The First National Bank of Bear Valley.

North Glenn—The First National Bank of North Glenn.

Southglenn—The First National Bank of Southglenn.

Greeley or Bank—The First National Bank of Greeley.

Board—The Board of Governors of The Federal Reserve System.

EXHIBIT A

RESOLUTION:

The Applicant's Board of Directors, or other appropriate governing body, shall authorize the execution and delivery of this application to the Board by a resolution substantially in the form as that which follows:

> RESOLVED, that Eugene H. Adams, the President, and Bruce D. Alexander, the Executive Vice President, of The First National Bancorporation, Inc., (hereinafter called the Applicant), or either of them, be, and they hereby are, authorized and empowered for and in the name and on behalf of the Applicant to execute and deliver to the Board of Governors of the Federal Reserve System, pursuant to section 3(a)(3) of the Bank Holding Company Act of 1956, as amended, an application for prior approval by the Board of the acquisition by the Applicant of direct or indirect ownership, control or power to vote, of 80% or more of the voting shares of The First National Bank of Greeley, 1025 Ninth Avenue, Greeley, Colorado 80631.

CERTIFICATE

I HEREBY CERTIFY that the foregoing is a true and correct copy of a resolution adopted by the Board of Directors of The First National Bancorporation, Inc. at a meeting duly called and held at Denver, Colorado on the 26th day of May, 1969, at which meeting a quorum was present and voted.

/s/ Edward B. Close, Jr.
(*Secretary*)

EXHIBIT B

DESCRIPTION OF PROPOSED TRANSACTION

1. *Total number of shares, by class, now outstanding, number of additional shares to be issued, if any, and the par value per share of all such stock.*

Greeley has only one class of shares, being Common Capital Stock, with 150,000 such shares authorized, issued, and outstanding with a $10 par value. There are no additional shares to be issued.

2. *The number of such shares, if any, owned, controlled, or held with power to vote by Bank, either directly or indirectly, showing the cost and carrying value of such shares and describing the manner by which such shares were acquired.*

Greeley as Trustee under Agreement with Mary Elizabeth Smith holds 150 shares of common stock of Greeley. These shares are carried on the books of the Trust Department of Greeley at a value of $4,800 and were acquired via a living, revocable trust on January 11, 1967. Greeley does not have power to vote these shares.

3. *The number of such shares, if any, owned, controlled, or held with power to vote by Applicant and/or by each of its subsidiaries, either directly or indirectly, showing the cost and carrying value of such shares and describing the manner by which such shares were acquired.*

None

4. *The number of such shares, if any, held or controlled by trustees, either directly or indirectly, for the benefit of Bank, Applicant, or any of their subsidiaries, or any shareholders or employees of Bank, Applicant, or any of their subsidiaries.*

None

5. *Whether the Applicant or any of its subsidiaries is a borrower or lender with respect to any loan collateraled by shares of the Bank, showing for each such loan the name of the lender, the name of the borrower, the amount of the loan, the number of shares held as collateral, and the dependency of the loan upon the Bank's stock.*

(See "CONFIDENTIAL" attached.)

6. Whether any stockholder of Bank, holding 20 percent or more of the total shares of voting stock outstanding, has a loan or loans outstanding collateraled by such shares. If so, for each such loan furnish the date of the loan, the name of the lender, the name of the borrower, the original amount and present balance of the loan, the number of shares of Bank's stock held as collateral, and the dependency of the loan upon the Bank's stock.

No person or company holds 20 per cent or more of the outstanding stock of Greeley.

7. The number and class of such shares proposed to be acquired by Applicant and/or by each of its subsidiaries, indicating:

(a) *The number of shares to be acquired by cash purchase, the amount proposed to be paid per share, and in total, by each purchaser, the method by which the purchase price was determined and the source of the funds to be applied to the purchase;*

None

(b) *The number of shares to be acquired by exchange of stock, the exchange ratio, the method by which it was determined, and the number and class of the shares to be exchanged.*

The number of shares to be acquired by exchange of tock is 80 per cent or more of the 150,000 outstanding hares of common stock of Greeley. The exchange ratio 1.55 shares of Applicant's stock for each share of reeley.

The exchange ratio was determined on March 21, 1969, t a special meeting of Applicant's Board of Directors to e as follows: To Book Value Per Share as adjusted below *), Applicant applied a factor of 217 per cent resulting in

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* Based upon figures of Greeley as of December 31, 1968, provided to pplicant, the Adjusted Book Value was computed as follows:

Capital Stock	$1,500,000
Surplus	1,500,000
Undivided Profits	1,420,137
Total Capital Funds	$4,420,137
Adjustment to record the difference between the estimated replacement value of fixed assets and the carrying value of such assets:	

an offering price per share of $76.64. Assuming all 150,000 shares of Greeley were offered for exchange, and using that dollar figure half-way between the "Bid" and "Asked" price of Applicant's stock on the Over-the-Counter Securities listing in the Rocky Mountain News on March 21, 1969, 232,242 shares of Applicant's stock would be required. This number of shares, when converted to an exchange ratio, resulted in a ratio of 1.54828 shares of Applicant for each share of Greeley. For convenience, the exchange ratio was rounded to 1.55 shares of Applicant's stock for each share of Greeley. Therefore, the total number of Applicant's shares to be issued, if all of Greeley's 150,000 shares were tendered for exchange, would be 232,500.

8. *Description of all offers made to the present shareholders of the Bank, indicating whether such offers were made to all shareholders. Submit a copy of any written offer, agreement, or contract, and of any prospectus pertaining to the proposed transaction.*

No offer, agreement or contract has been sent to any shareholder of Greeley nor has a prospectus been prepared pertaining to the proposed transaction. The Board of Directors of Greeley voted unanimously to accept and support a verbal offer by Applicant for 80 per cent or more of the outstanding shares of Greeley on a basis of 1.55 shares of Applicant's stock for each share of Greeley's

Replacement Value =	$ 1,700,000	
Carrying Value =	945,217	754,783
Adjustment to record the difference between carrying value and approximate market value of U.S. Government and Municipal securities after adjustments for income tax:		
Carrying Value =	$11,189,714	
Market Value =	10,965,920	
Difference =	223,794	
Less Income Tax at 55.632% =	124,501	(99,293)
Reserve for Loan Losses less applicable income tax:		
Total Reserve =	$ 502,119	
Less Income Tax at 55.632% =	279,339	222,780
Total Adjusted Book Value		$5,298,407
Adjusted Book Value Per Share		$35.32

stock. A copy of the prospectus covering said offer will be filed as a supplement to this application as soon as the Offering becomes effective.

9. *The recent market price or bid and asked prices for the Bank's shares and the Applicant's shares and the date of such quotations. If there is no market for the stock of either, indicate the date of the last sale of any significant block of stock and show the price paid and the number of shares involved.*

Applicant's shares are regularly listed in the Rocky Mountain News Over-the-Counter Securities section and showed a low bid in January, 1969 of $43, a high bid in May, 1969 of $53, a low asked price in January, 1969 of $45, and a high asked price in May, 1969 of $56. As of March 21, 1969, the bid price was $49 and the asked price was $52 per share.

There are few sales of shares of Greeley. During the twelve months prior to March 21, 1969, 7,351 shares were sold at prices ranging from a low of $33.625 per share to a high of $36.50 per share, such price being paid for 250 shares on March 13, 1969.

10. *Information regarding any consideration, monetary or otherwise, that has been paid, given, or offered to any shareholder, director, or officer of the Bank in connection with the consummation of the proposed transaction. Include any formal or informal agreement relating to payment of compensation, after consummation of the proposed transaction, in any form, such as salary, bonus, or retirement allowance, showing to what extent, and in what manner, such information has been disclosed to all shareholders of the Bank.*

None

11. *Information as to which party made the initial approach, Applicant or Bank, with respect to this proposed transaction and an explanation of the manner and nature of this approach.*

The President of Greeley approached the President of Applicant questioning whether Applicant would be interested in acquiring the outstanding shares of Greeley. Sub-

sequent to this approach, the Executive Vice President of Applicant together with legal counsel carried on extensive negotiations with the President and Executive Vice President of Greeley, which negotiations culminated in the unanimous vote of Greeley's Directors to accept and support the contingent verbal offer.

EXHIBIT C

Financial History and Condition, Management, and Future Prospects of Applicant

1. *Financial information, preferably in columnar form, consisting of:*

(a) *A balance sheet of the Applicant, showing separately each principal group or class of assets, liabilities, and capital accounts, and similar in form to that which would be sent to, or prepared for, its shareholders, as of the date of the application, or as of a date not in excess of three months prior thereto provided a summary statement is included of all significant changes in the interim to the date of the application or that there have been no such changes;*

(b) *Debit and credit adjustments, explained by footnotes, to each asset, liability, and capital account relating to each proposed transaction; and*

(c) *The resulting pro forma balance sheet.*

See Exhibit C-1 attached.

2. *Summary analysis of each of Applicant's surplus and undivided profits accounts, and of each reserve account which represents a segregation of surplus or undivided profits, for the current fiscal year to the date of the balance sheet furnished in Item 1(a) above.*

See Exhibit C-2 attached.

3. *Balance sheet of each nonbanking subsidiary as of the date of the Applicant's balance sheet submitted in Item 1(a) above, and a statement showing any significant changes in the subsidiary's financial condition in the interim to the date of the application.*

None

4. *A separate summary analysis of each surplus and undivided profits account, and each reserve account which represents a segregation of earnings, of each nonbanking subsidiary for its current fiscal year to the date of the balance sheet.*

None

5. *Balance sheets of the Applicant, preferably in comparative columnar form, as of the end of each of its most recent five fiscal years showing separately each principal group or class of assets, liabilities, and capital accounts. Investments in subsidiaries shall be segregated as to banks and nonbanking organizations.*

Reference is made to Annual Report on Form F. R. Y-6 filed with the Board for the fiscal year 1968. (Operations commenced October 18, 1968.)

6. *Summary analysis of each of Applicant's surplus and undivided profits accounts, and of each reserve account which represents a segregation of surplus or undivided profits, for each of its preceding five fiscal years.*

See Number 5. above.

7. *Any plans involving capital improvement programs of Applicant or any of its subsidiaries.*

Applicant, Bear Valley, and North Glenn—NONE.

First National—Because of space limitations, First National is presently undertaking an exhaustive study to determine the feasibility of erecting an addition to its present building or erecting a major office building on a site adjacent to its present building. Depending upon the results of the study, First National, if it does not build on its own site, may either lease space in a new major office building without direct ownership or become a partner with others in such an office building. First National owns or holds options on one entire block adjacent to its present site, which is only one of several locations under consideration. A final decision regarding the location, size, and ownership of the contemplated office building has, as yet, not been made. First National's space needs are estimated at 350,000 square feet by 1975.

Southglenn—Applicant has begun construction of a new banking facility which will be leased to Southglenn on competitive terms. Total cost is estimated not to exceed $310,000, and completion is estimated for spring of 1970.

8. *Copy of the Applicant's latest annual report which was sent to, or prepared for its shareholders.*

See Exhibit C-3 attached.

9. *List of directors, trustees, and principal officers of the Applicant, or persons exercising similar functions, providing information in connection with each as follows:*

(a) *Name and address (city and State only);*

(b) *Number of each class of shares of Applicant and Bank owned of record and segregated as to individual ownership and joint ownership with others;*

(c) *Title of position with the Applicant, and similar connections with each subsidiary bank of the Applicant; and*

(d) *Principal occupation if other than with the Applicant.*

Name, Principal Occupation and Address	Number of Applicant's Shares Owned of Record March 21, 1969		Title or Position with Applicant and Its Subsidiaries
	Individually	Jointly	
Montgomery Dorsey Principal Occupation: Senior Partner, Law Firm of Hughes & Dorsey Denver, Colorado	7,094	—	Chairman of the Board and Director of Applicant; Chairman of the Board and Director of First National.
Eugene H. Adams Principal Occupation: Banker Denver, Colorado	8,279	—	President and Director of Applicant; President and Director of First National; Chairman of the Board and Director of Southglenn.
Bruce D. Alexander Principal Occupation: Banker Denver, Colorado	3,860	—	Executive Vice President and Director of Applicant; Senior Vice President of First National; Director of Bear Valley; Director of North Glenn; Vice President of Southglenn.
Lee C. Ashley Principal Occupation: Banker Denver, Colorado	2,766	—	Treasurer and Director of Applicant; Senior Vice President and Cashier of First National; Chairman of the Board of Bear Valley; Vice President and Director of Southglenn.
G. B. Aydelott Principal Occupation: President and Director of The Denver & Rio Grande	47	—	Director of Applicant; Director of First National.

Name, Principal Occupation and Address	Number of Applicant's Shares Owned of Record March 21, 1969		Title or Position with Applicant and Its Subsidiaries
	Individually	Jointly	
Western Railroad Company Denver, Colorado			
Richard P. Brown Principal Occupation: Banker Denver, Colorado	2,301	—	Director of Applicant; Senior Vice President and Executive Trust Officer of First National; Director of First National
Edward B. Close, Jr. Principal Occupation: Partner, Law Firm of Hughes & Dorsey Denver Colorado	32	—	Secretary and Director of Applicant; Director of Bear Valley.
John Evans, Jr. Principal Occupation: President, Evans Investment Co. Denver, Colorado	2,091	—	Director of Applicant; Director of First National.
Richard S. Fitzgerald Principal Occupation: Banker Denver, Colorado	41	201	Vice President of Applicant; Vice President of First National.
W. Coles Hudgins Principal Occupation: Executive Vice President of Mountain States Telephone & Telegraph Company Denver, Colorado	161	—	Director of Applicant; Director of First National.
Samuel T. Jones Principal Occupation: President, Sam Jones Agency, Inc. Pueblo, Colorado	—	—	Director of Applicant.
John M. King Principal Occupation: Chairman of the Board, King Resources Co. Denver, Colorado	44,037	—	Director of Applicant; Director of First National.
William H. Kistler Principal Occupation: President, W. H. Kistler Stationery Co. Denver, Colorado	303	—	Director of Applicant; Director of First National.

Name, Principal Occupation and Address	Number of Applicant's Shares Owned of Record March 21, 1969		Title or Position with Applicant and Its Subsidiaries
	Individually	Jointly	
Oliver P. LeCompte Principal Occupation: President, Transmix Concrete Co. Colorado Springs, Colorado	31	—	Director of Applicant.
Davis W. Moore Principal Occupation: Investments Denver, Colorado	8,579	—	Director of Applicant; Director of First National.
J. Sims Norman, M.D. Principal Occupation: Physician Pueblo, Colorado	15,541	—	Director of Applicant; Director of First National.
Gerald H. Phipps Principal Occupation: President, Gerald H. Phipps, Inc. Denver, Colorado	4,891	—	Director of Applicant; Director of First National.
Donald E. Provost Principal Occupation: President, Stearns-Roger Corp. Denver, Colorado	15	—	Director of Applicant; Director of First National.
Barry Morey Sullivan Principal Occupation: Investments Denver, Colorado	6,695	—	Director of Applicant; Director of First National.
Russell T. Tutt Principal Occupation: President, El Pomar Investment Co. Colorado Springs, Colorado	152	—	Director of Applicant; Director of First National.
William M. White, Jr. Principal Occupation: Chairman of the Board and President, Great Western United Corporation Denver, Colorado	—	—	Director of Applicant.

As of March 21, 1969, none of the above officers or directors of the Applicant owned any shares of Greeley.

10. *Additions or other changes contemplated to be made in the membership of the board of directors and the roster of principal officers of Applicant, furnishing with respect to each proposed new director and principal officer the same information as requested in Item 9 above.*

Mr. Robert M. Gilbert, President of Greeley, will be asked to serve as a director of Applicant. As of March 21, 1969, Mr. Gilbert owned no shares of Applicant. Mr. Gilbert owned, as of March 21, 1969, in his own name 375 shares of Greeley; jointly with his wife 195 shares of Greeley; and through Monroe Corporation, a corporation wholly owned by Mr. Gilbert and his wife, an additional 13,035 shares of Greeley.

11. *For each banking or nonbanking subsidiary, acquired by Applicant subsequent to the filing of Applicant's most recent Annual Report filed with the Board of Governors on Form F.R. Y-6, submit the following information, showing:*

(a) *Name and location of the bank or company;*

(b) *Brief description of its business activities;*

(c) *Number of voting shares outstanding, and each class thereof if more than one class;*

(d) *The number of voting shares:*

(i) *Directly or indirectly owned by the Applicant and/or its subsidiaries, indicating the amount at which the shares are carried in the assets of each owner and the manner in which ownership was acquired;*

(ii) *Directly or indirectly controlled or held with power to vote by the Applicant and/or its subsidiaries, showing the manner of control or holding with power to vote. If this results solely from share ownership, so indicate in response to this item; and*

(iii) *Directly or indirectly controlled or held by trustees for the benefit of the Applicant (or its subsidiaries), their shareholders, or their employees (whether exclusively or not); and*

(e) *Control, in any manner, of the election of a majority of its directors, trustees, or persons exercising similar functions. If there is no council other than as shown in Item (d), it should be so stated.*

None

12. *Statement with respect to any other bank or any other nonbanking institution which Applicant, and/or its subsidi-*

aries, jointly or severally, or jointly owned Bank, own, control, or hold with power to vote more than 5 per cent of the standing voting shares, showing:

(a) *Name and location of the bank or company;*

(1) The International Realty Company, 621 - 17th Street, Denver Colorado 80202.

(b) *Brief description of its business activities;*

This company was organized on December 23, 1955, for the purpose of holding title to real estate and leasehold interests used by First National in the conduct of its banking business.

(c) *Number of voting shares outstanding, and each class thereof if more than one class;*

Three million shares of $1 par value common voting stock issued and outstanding.

(d) *The number of voting shares:*

(i) *Directly or indirectly owned by the Applicant and/or its subsidiaries, indicating the amount at which the shares are carried in the assets of each owner and the manner in which ownership was acquired;*

First National owns all 3,000,000 shares which are carried on its books at $6,000,000, and were acquired for cash.

(ii) *Directly or indirectly controlled or held with power to vote by the Applicant and/or its subsidiaries, showing the manner of control or holding with power to vote. If this results solely from share ownership, so indicate in response to this item;*

Control results solely from share ownership.

(iii) *Directly or indirectly controlled or held by trustees for the benefit of the Applicant (or its subsidiaries), their shareholders, or their employees (whether exclusively or not).*

None

(a) *Name and location of the bank or company;*

(2) The International Company of Denver, 621 - 17th Street, Denver, Colorado 80202.

(b) *Brief description of its business activities;*

This company was organized on December 24, 1929, for the purpose of handling purchases and sales of bonds and securities for The International Trust Company which was merged into First National on October 8, 1958. The company is now inactive.

(c) *Number of voting shares outstanding, and each class thereof if more than one class;*

One hundred shares of no par common voting stock are issued and outstanding.

(d) *The number of voting shares:*

(i) *Directly or indirectly owned by the Applicant and/or its subsidiaries, indicating the amount at which the shares are carried in the assets of each owner and the manner in which ownership was acquired;*

First National owns all one hundred shares which are carried on its books at no value.

(ii) *Directly or indirectly controlled or held with power to vote by the Applicant and/or its subsidiaries, showing the manner of control or holding with power to vote. If this results solely from share ownership, so indicate in response to this item;*

Not applicable, as company is inactive.

(iii) *Directly or indirectly controlled or held by trustees for the benefit of the Applicant (or its subsidiaries), their shareholders, or their employees (whether exclusively or not).*

None

13. *For each subsidiary bank acquired in the past 10 years, provide the following information as of the date of this application:*

(a) *The names of all banks at which the subsidiary maintains correspondent balances and the amount of the balance at each bank—*

	Balance Maintained at:		
Subsidiary	First National Bank of Denver	First National Bank of Bear Valley	First National Bank of North Glenn	First National Bank of Southglenn
First Nat'l Bank of Denver	Assets over $100,000,000 and maintain no correspondent balance at other subsidiary banks.			
First Nat'l Bank of Bear Valley	$825,051.51	0	0	0
First Nat'l Bank of North Glenn	683,628.99	0	0	0
First Nat'l Bank of Southglenn	158,360.82	0	0	0

(Bear Valley, North Glenn, and Southglenn maintain no correspondent relationships other than with First National.)

(b) *The number and total amount of participation loans entered into by the subsidiary (during a 12-month period ended not more than 3 months prior to the date of submission of the application).*

(i) Participating Bank	(ii) Originating Bank	# of Loans	(iii) Total Amt. of Loans	(iv) Amt. of Participation
First National	Bear Valley	7	$256,174.00	$ 203,324.00
Southglenn	Bear Valley	2	111,115.05	30,115.05
First National	North Glenn	11	150,468.33	114,468.33
First National	Southglenn	3	91,400.00	34,500.00
Bear Valley	First National	*		*2,930,091.58
North Glenn	First National	*		*3,387,568.18
Southglenn	First National	*		*2,238,085.67

(Total assets of First National exceed $100,000,000 and thus only participations to other subsidiaries are shown. Bear Valley, North Glenn, and Southglenn sold participations to no banks other than those indicated above.)

* In the case of participations sold by First National to Bear Valley, North Glenn, and Southglenn, the figures represent the *average* amount of participations outstanding to each bank during 1968. These figures represent participations in 116 *lines of credit* (rather than individual loans) that have been approved by Bear Valley, North Glenn and Southglenn for purchase from First National, which are bought for earning power for as little as one day or as long as excess funds are available. Each of the three smaller banks may be participating in any or all 116 lines at a given time, and therefore to indicate the number of lines participated on a given day, or for a given period, would show volume figures not considered realistic.

EXHIBIT C-1

Balance Sheet of Applicant as of Year-End December 31, 1968, and First Quarter Ending March 31, 1969.

Debit and Credit Adjustments to Record Acquisition of Greeley.

Resulting Pro Forma Balance Sheet of Applicant after Acquisition of Greeley.

Attached to and made a part of the application of The First National Bancorporation, Inc. for permission to acquire 80% or more of the voting shares of The First National Bank of Greeley.

THE FIRST NATIONAL BANCORPORATION, INC.

	(a) Bancorporation Balance Sheet		(b) Entry to Record Acquisition of Greeley	(c) Pro Forma Balance Sheet Subsequent to Acquisition of Greeley
ASSETS	December 31, 1968	March 31, 1969	(Notes 1 & 2)	
Cash	$ 44,723	$ 56,660	$	$ 56,660
Investment in Stock of Subsidiary Banks at Net Asset Value:				
The First National Bank of Denver	41,290,114	41,910,094		41,910,094
The First National Bank of Bear Valley	505,278	512,317		512,317
The First National Bank of North Glenn	449,200	457,089		457,089
The First National Bank of Southglenn	313,918	318,664		318,664
The First National Bank of Greeley			4,852,494	4,852,494
Other Assets - Stock Issuance Expense, Organization Expense, etc. - Net	182,010	180,843		180,843
Total	$42,785,243	$43,435,667	$4,852,494	$48,288,161
LIABILITIES				
Current Liabilities - Accrued Interest and Taxes	$ 2,150	$ 7,160	$	$ 7,160
Notes Payable - Due October 31, 1971 (Interest Payable Quarterly at Prime Rate)	185,000	185,000		185,000
Stockholders' Equity:				
Common Stock - $10 Par Value				
Authorized - 3,500,000 Shares				
Issued and Outstanding - 1,488,585 Shares				
Prior to Acquisition - 1,721,085 Shares	14,885,850	14,885,850		
After Acquisition			2,325,000	17,210,850
Paid in Surplus	27,154,577	27,154,577	2,527,494	29,682,071
Retained Earnings (See Exhibit C-2 Following)	557,666	1,203,080		1,203,080
Total Stockholders' Equity	42,593,093	43,243,507		48,096,001
Total	$42,785,243	$43,435,667	$4,852,494	$48,288,161

NOTES:

1. The entry to record acquisition of Greeley assumes that 100% of its outstanding shares will be acquired through the proposed exchange.
2. Anticipated expenses of the proposed exchange are not contained in the "Entry to Record Acquisition" or the "Pro-Forma Balance Sheet".

EXHIBIT C-2

Analysis of Applicant's Retained Earnings and Paid-In Surplus Accounts January 1, 1969 — March 31, 1969.

EXHIBIT C-2

Attached to and made a part of the application of The First National Bancorporation, Inc. for permission to acquire 80% or more of the voting shares of The First National Bank of Greeley.

"Retained Earnings" for the period January 1, 1969 to March 31, 1969 is reconciled as follows:

Balance—January 1, 1969	$ 557,666
Net Income—Including Equity in Undistributed Earnings of Subsidiaries of $632,657	1,171,630
Cash Dividends	(521,005)
Cost in Excess of Book Value of Subsidiary Bank Shares Purchased	(5,211)
Balance—March 31, 1969	$1,203,080

There was no change in the "Paid-In Surplus Account" between January 1, 1969 and March 31, 1969, such figure remaining constant at $27,154,577.

EXHIBIT C-3

Applicant's Annual Report to Shareholders—Year Ending December 31, 1968.

EXHIBIT D

Financial History and Condition, Management, and Future Prospects of Bank

1. *Copy (front and back) of Bank's latest report of condition together with year-end reports of condition and reports of income and dividends for the past five years, filed with a Federal supervisory authority or other supervisory authority if Bank's deposits are not insured or were not insured for the full five-year period.*

See Exhibit D-1.

2. *Copy of the latest annual report of the Bank which was prepared for its shareholders.*

See Exhibit D-2.

3. *Statement with respect to each sale of capital stock by the Bank during the preceding 10 calendar years and the current year to date, showing date, sales price per share and in total, and the proceeds added to each of the capital accounts.*

None.

4. *Any plans involving capital improvement programs of Bank.*

As of March 31, 1969, Greeley was engaged in a major remodeling program. Additional space was constructed on the lower level of the present bank building to accommodate Accounting, Bookkeeping, Auditing, and Controller operations. A new entrance to the main banking floor was installed together with a redesigned tellers' line, Installment Loan Department, and Trust Department. In addition, the main floor is to be completely redecorated including new lighting and a new ceiling together with drapes for a major portion of the main floor. The total cost of this capital improvement program is estimated at $180,000.

5. *Balance sheet of each subsidiary of the Bank as of the date of the latest report of condition submitted in Item 1. above.*

None

6. *List of each shareholder owning or controlling 5 per cent*

or more of Bank's stock, showing total number of shar owned or controlled, and portions thereof owned or co trolled less than 12 months prior to date of application.

Shareholders	# of Shares of Greeley Owned	Acquisitions—1968 through March, 1969
Burch, Leonard N.	10,625	2,125 acquired April 1, 1968 as result of a 25% stock dividend.
Davis, Robert S.	12,360	2,482 acquired April 1, 1968 as result of a 25% stock dividend.
Monroe Corporation (Monroe Corporation is wholly owned by Mr. and Mrs. Robert Gilbert. Mr. Gilbert is the president of Greeley. In addition to these shares, Mr. Gilbert owns 375 shares in his own name and 195 shares jointly with Mrs. Frances Gilbert.)	13,035	2,476 acquired April 1, 1968 as result of a 25% stock dividend. 65 acquired July 25, 1968 150 acquired January 6, 1969 438 acquired February 27, 1969.
Royer, Dean C.	8,856	1,778 acquired April 1, 1968 as result of a 25% stock dividend.

7. *Statement as to whether the Bank has transferred, sale or otherwise, all or part of its bank premises to:*

(a) *A subsidiary, in which case show any profit ognized by the Bank, and the entries recorded on Bank's books in connection with the transaction, any adjustments affecting related parent or subsidi accounts subsequent to the date of the transaction;*

None

(b) *An entity other than a subsidiary such as un a lease-back arrangement.*

None

8. *If the Bank is a proposed new bank, the following sh be submitted in lieu of the information requested in It 1 through 7 above;*

(a) *Statement as to its proposed capitalization;*

(b) *Estimates of major categories of assets, posits, and capital accounts which are projected the Bank for the end of each of its first three year operations;*

(c) *Estimates of gross income and expenses, by major class in each case, and net earnings or loss for each of the first three years of the Bank's operations (should be submitted confidentially as provided for in paragraph 1 of page 5);*

(d) *Statement as to whether Bank will open if proposed acquisition is denied. If in the affirmative give details regarding proposed ownership; and*

(e) *Date of charter application and statement of its present status.*

Not applicable.

9. *List of directors, trustees, and principal officers of Bank, or persons exercising similar functions, providing information in connection with each as follows:*

(a) *Name and address (city and State only);*

(b) *Number of each class of shares of Bank and/or Applicant owned of record and segregated as to individual ownership and joint ownership with others.*

(c) *Title of position with Bank; and*

(d) *Principal occupation if other than the Bank.*

Name	Title with Greeley	Number of Shares of Greeley
Leonard N. Burch Principal Occupation: Banking & Investments Greeley, Colorado	Director	10,625
Robert S. Davis Principal Occupation: Owner, Davis Agency & Livestock Greeley, Colorado	Director	12,360
Martin R. Domke Principal Occupation: Cattle Feeder Greeley, Colorado	Director	1,000
Rex C. Eaton, Jr. Principal Occupation: Banker Greeley, Colorado	Director Executive Vice President	250 3,000 Jointly Held
William S. Garnsey Principal Occupation: President, Garnsey & Wheeler Co. Greeley, Colorado	Director	7,210
Robert M. Gilbert Principal Occupation: Banker	Director President	375 195 Jointly Held

Name	Title with Greeley	Number of Shares of Greeley
Greeley, Colorado (Monroe Corporation, wholly owned by Mr. and Mrs. Robert M. Gilbert, owns 13,035 shares of Greeley. See Exhibit D-6, herein before recited—Page D-2.)		
John L. Haley Principal Occupation: Engineering Consultant; Nelson, Haley, Patterson & Quick, Inc. Greeley, Colorado	Director	400
John W. Henderson Principal Occupation: Attorney-at-Law Greeley, Colorado	Director	2,000
Darrell Holmes, Ph.D. Principal Occupation: President, Colorado State College Greeley, Colorado	Director	150 312 Jointly Held
Harold S. Jones Principal Occupation: Owner, The Jones Company Greeley, Colorado	Director	5,250
Carl J. Magnuson Principal Occupation: Former Colorado State Senator Farmer and Cattle Feeder Eaton, Colorado	Director	2,000
Joseph F. Phelps Principal Occupation: President, Hensel Phelps Construction Co. Greeley, Colorado	Director	5,250
Dean C. Royer Principal Occupation: President, D. C. Royer Agency Greeley, Colorado	Director	8,856
Ernest B. Scott Principal Occupation: President, Scott Realty Company Greeley, Colorado	Director	1,187
William H. Southard Principal Occupation: Attorney-at-Law Trustee, Colorado State College Greeley, Colorado	Director	2,506
Phillip D. Weaver, M.D. Principal Occupation: Radiologist Greeley, Colorado	Director	150 564 Jointly Held

Name	Title with Greeley	Number of Shares of Greeley
Curtis S. Slife Principal Occupation: Banker Greeley, Colorado	Senior Vice President	12
Louis C. Rieker Principal Occupation: Banker Greeley, Colorado	Vice President and Trust Officer	150
Alejandro M. Gillespie Principal Occupation: Banker Greeley, Colorado	Vice President and Controller	450
Richard J. Read Principal Occupation: Banker Greeley, Colorado	Cashier	0

As of March 21, 1969, none of the above listed officers or directors owned any shares of Applicant's stock, either jointly or severally.

10. *Personnel changes contemplated by Applicant with respect to directors and/or principal officers of Bank, furnishing with respect to each proposed new director and principal officer the same information as requested in Item 9 above.*

No changes are contemplated by Applicant with respect to Directors or Principal Officers of Greeley other than the addition of Mr. Bruce D. Alexander, Executive Vice President of Applicant and Senior Vice President of First National, as an additional Director to the Board of Directors of Greeley. As of March 21, 1969, Mr. Alexander owned no shares of Greeley. Mr. Alexander owned in his own name 3,860 shares of Applicant.

11. *Statement with respect to any other bank or any nonbanking company of which the Bank owns, controls, or holds with power to vote more than 5 per cent of the outstanding voting shares, showing*:

(a) *Name and location of the bank or company;*
(b) *Brief description of its business activities;*
(c) *Number of voting shares outstanding, and each class thereof if more than one class; and*

(d) *Number of voting shares*:

(i) *Directly or indirectly owned by the Bank, indicating the amount at which the shares are carried in the assets of the owner and the manner in which ownership was acquired;*

(ii) *Directly or indirectly controlled or held with power to vote by the Bank, showing the manner of control or holding with power to vote. If this results solely from share ownership, so indicate in response to the item; and*

(iii) *Directly or indirectly controlled or held by trustees for the benefit of the Bank, its shareholders, or its employees (whether exclusively or not).*

None

EXHIBIT D-1

Copy of Greeley's Report of Condition Dated April 30, 1969 as Filed with Federal Supervisory Authorities.

Copy of Greeley's Reports of Condition, and Income and Dividend Reports Filed with Federal Supervisory Authorities for Years Ending December 31, 1964 through December 31, 1968.

EXHIBIT D-2

Greeley's Annual Report to Shareholders—Year Ending December 31, 1968.

EXHIBIT E

DESCRIPTION OF BANK'S OPERATIONS

1. *As of the date of the latest available midyear or year-end condition report, the number and amount of IPC deposits segregated by demand, savings, and time (each by size of account), similar to that furnished the FDIC for use in its latest Summary of Deposits. If available, the information for IPC demand deposits should be provided separately for business and household accounts. Separate data should be supplied for:*

(a) *Each office of Bank and the total for Bank;*

See Exhibit E-1 attached. (In opinion of Greeley's management no significant change has occurred in composition of deposits since June 30, 1968.)

(b) *Each banking office of the Applicant's subsidiary banks (include Applicant if it is a bank) that is regarded as competing with Bank (as listed in Exhibit G-4) and the total for all such offices;*

Applicant has no subsidiaries regarded as competing with Greeley.

(c) *The total for all banks listed in (b) above.*
See answer above.

2. *As of the date of the latest midyear or year-end condition report available, the amount of Bank's:*

(a) *Instalment loans to individuals for household, family, or other personal purposes, indicating the approximate amount originated by Bank and the amount purchased from others, segregated as to the amount purchased from vendors located within and without Bank's service area;*

Amount originated by Bank =	$385,264.87
Amount purchased from others:	
Within Bank's service area =	32,034.56
Outside Bank's service area =	1,490.79
Total	$418,790.22

(b) *Residential mortgage loans, indicating the ap-*

proximate amount originated by the Bank and the amount purchased from others, segregated as to sellers located within and without Bank's service area;

Originated by the Bank = $1,636,363.68

No residential mortgage loans purchased from others.

(c) *Total investment in obligations of States and political subdivisions, showing investment in securities issued by the State in which the Bank is located, and the investment in securities issued by local governments in that State, identifying separately, amounts invested in issues of local governments within Bank's service area.*

Securities issued by the State =	None
Securities issued by local governments in that State:	
Within Greeley's service area =	$ 531,240.47
Not within Greeley's service area =	4,688,102.84
Other states and political subdivisions =	1,857,262.38
Total	$7,076,605.69

3. *If Bank has a trust department, indicate as of the latest date for which such information is available:*

(a) *The number of accounts of each major type of fiduciary and/or agency appointment and the total amount of assets held, showing the basis for assigning book carrying values;*

As of December 31, 1968, Greeley's trust department had total assets of $7,512,595.14 in 211 various trust accounts, more particularly described as follows:

Decedents Estate	10	Farm Management (Agencies)	13
Conservator & Guardianship	59	Agency & Escrow	37
Testamentary Trust	22	Corporate Accounts	6
Living Trust	37	Wills & Non-Funded Trusts	22
Profit Sharing Plan	5		

Total—211

Land and improvements, insurance policies, and Wills carried at a Unit Value of $1.00. All other assets carried at cost.

(b) *The extent to which Bank's trust business originates in its service area, in the service areas of sub-*

sidiary banks of the Applicant, and of Applicant if it is a bank;

All of Greeley's trust business originates within its Primary Service Area with the exception of one account which was originated in 1962 under a Farm Management Agency Agreement involving property located in and near Severance, Colorado, a small community approximately 12 miles northwest of Greeley in Weld County, Colorado. The Agency was subsequently changed to inter vivos trust and other assets, located in Golden, Colorado, were added. Golden, Colorado is considered to be within the Primary Service Area of First National. The grantor was a resident of Golden at the time of the original agreement, but was a long-time resident of Weld County and an old and valued customer of Greeley, with active checking and savings accounts at the time of the original agreement.

(c) *The extent to which each of Applicant's subsidiaries, or Applicant if it is a bank, derives trust business from the service area of Bank.*

First National, the only subsidiary of Applicant with a Trust Department, has the following accounts located within the Primary Service Area of Greeley:

5 fiduciary accounts (beneficiaries reside in the city of Greeley)	$ 530,000.00
2 fiduciary accounts (settlors reside in the city of Greeley)	292,813.00
1 escrow account for "Northern Weld County Water District," this account funded with U.S. Government Securities—value	3,464,000.00
TOTAL—8 accounts with total carrying value of	4,286,813.00

The above accounts, in the aggregate, constitute less than ⅓ of 1% of the total value of trust accounts of First National.

In addition to the fiduciary and escrow accounts listed above, First National, as Trustee, operates a 153 acre irrigated farm located within Greeley's Primary Service Area. This property was owned by a long-time customer of First National who was residing in Denver at the time of his death. This property is carried on the books of First National's Trust Department at $1.00.

EXHIBIT E-1

Copy of Greeley's Analysis of Demand, Savings, and Time Accounts as Filed with the Federal Deposit Insurance Corporation as of June 30, 1968.

EXHIBIT F

DESCRIPTION OF BANK'S SERVICES RELATIVE TO THE CONVENIENCE AND NEEDS OF THE AREA IT SERVES.

Applicant believes that a brief history of Weld County and the City of Greeley will help to put the answers to the questions called for by this Exhibit F which deal with the convenience and needs of the area served by Greeley in perspective. Much of the following is taken from a publication by the Greeley-Weld County Industrial and Business Development Foundation, Inc., operating to a degree with the Greeley Chamber of Commerce.

Greeley—Weld County—Historical Data

GENERAL

Greeley's economic climate and general business attitude is excellent. There is a proper cognizance of importance of business climate in the community. Community's industries are increasing in size and number and are generally considered forward-thinking and aggressive. In the last five years, 62 new industrial, professional and retail organizations have moved into the Greeley area—this figure is *net* of losses.

The State of Colorado has recognized the value of new industry:

1. Colorado has eliminated its ad valorem tax.
2. The state has lowered assessment rate on "freeport merchandise".
3. Colorado has avoided increases in its state income tax.

Greeley and Weld County officials have voiced strong objections to so-called "business incentives" in the form of lower taxes, etc. to attract new industry at the expense of already established concerns. Thus, a more stable approach to taxation has been maintained.

Several steps have been taken by members of the Greeley community to attract new industry:

1. Local employers are taking aggressive steps in the area of employee relations.
2. Only a small percentage of workers are unionized;

however, there is good rapport between union and non-union personnel.

3. Merchants in several areas have gone together to improve the appearance of business houses and general areas.
4. Business and other persons have actively taken part in discussions concerning issues which have an effect on business.
5. Newspapers and radio stations have taken a very active part in educating the population as to the needs for diversification of business and industry, and they have likewise paid a great deal of attention to new business and industrial arrivals.

As recently as September 9, 1969, in an article in *The Denver Post*, it was announced that "six Northern Colorado Communities have banded together to meet the challenge of an expected industrial and population explosion. Their new organization, called the Northern Colorado Area Development Association, includes Fort Collins, Greeley, Loveland, Estes Park, Berthoud and Windsor."

Introduction to Greeley and Weld County

Weld County

Named for the territory's first secretary, Lewis Ledyard Weld, Weld County is one of the original 17 counties established by the first legislature of the territory of Colorado on November 1, 1861.

First recorded town plat was Evans, filed with the county on November 22, 1869. Greeley was founded in 1870, recorded June 29, 1871 and incorporated April 6, 1886.

Greeley

Through an organization called the Union Colony, Nathan Meeker bought land in the Valley of the Cache La Poudre River, midway between Denver and Cheyenne from the Denver Pacific Railroad. There he selected a townsite, one mile square, and built a planned farming community. It was named Greeley after Horace Greeley, the famous editor.

Greeley and Weld County Statistics

Greeley is located 40 miles east of the front range of the

Rocky Mountains, 41 miles south of the Colorado-Wyoming border and 140 miles west of the Nebraska-Colorado border. The city is 52 miles north of Denver, covering an area of 7.8 square miles and is directly west of the confluence of the Cache la Poudre River with the South Platte River.

Greeley has a council-manager form of government with six elected councilmen and a mayor. The manager is appointed by council.

Weld County is aligned with agriculture, ranking *ninth* (*) in total crop and livestock production in the Nation. It has an area of 4,004 square miles.

Irrigation has played an important role in the history of both Greeley and Weld County. Ditches carrying snow runoff water into the county are some of the earliest in the state. These ditches are now supplemented with water from the Big Thompson diversion project which brings water through tunnels from Colorado's Western Slope to be fed into the distribution systems along the Eastern Slope.

Also within the county are found deposits of coal, oil, gas, gravel, and other minerals and rare earths.

Population Data

Persons 25 years old and over have completed 12.1 median school years to give Colorado the second highest national average educational level.

Population Facts (*)

	1960 Population
Urban Greeley	26,314
Rural	38,537
Other Urban	7,493
Ault Area	4,074
Eaton Area	5,098
Evans Area	6,553
Fort Lupton	5,222
Gill Area	2,071
Johnston-Milliken Area	4,685

* *Rocky Mountain News*, September 5, 1969, updates this figure to *seventh*.

* See chart on the City of Greeley only, page 23.

(As a matter of interest over 60 per cent of Colorado's population lies along the eastern slope of the Rocky Mountains between Fort Collins on the north and Pueblo on the south.)

	1960 Population
Kersey Area	1,607
LaSalle-Gilcrest Area	3,585
Platteville Area	1,785
Windsor Area	2,788
Keensburg-Hudson Area	3,067

Living Conditions

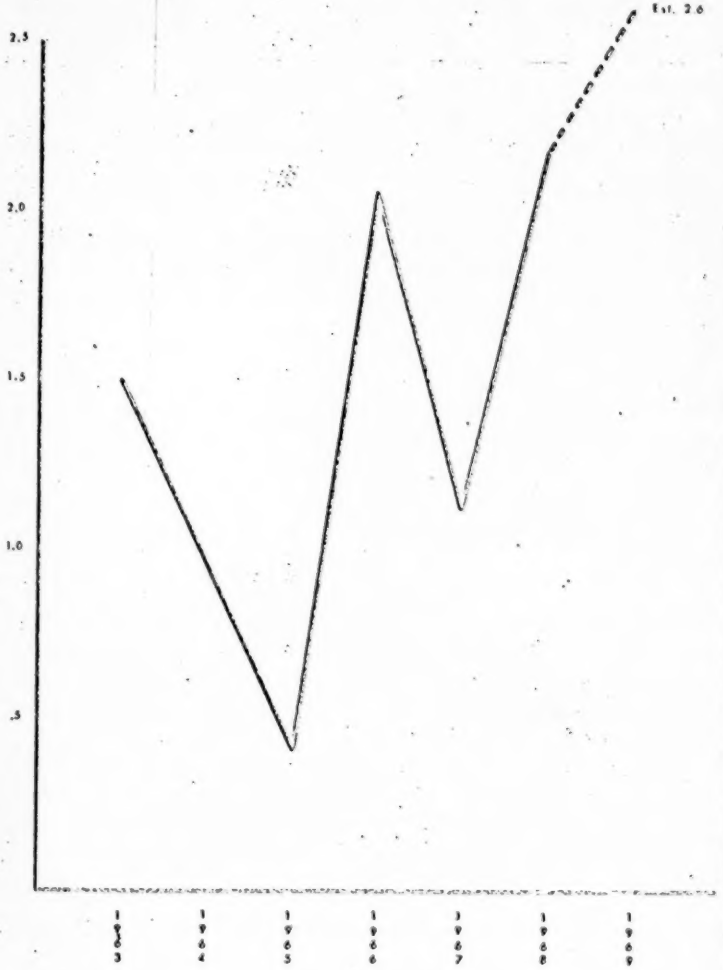
Separated from the Pacific Ocean by distance and a high mountain barrier, and located a long distance from any other major source of moisture, the climate in Greeley is characterized by low humidity, low average precipitation and abundant sunshine. The average annual rainfall is 11.12 inches with an annual mean temperature of 48.9 degrees. The prevailing air movement is from the west, with most of the moisture lost in passage over the mountains. Invasions of cold air from the north in winter are also relatively dry so that winter precipitation averages are low.

Although the average annual rainfall of less than 12 inches places the area in the semi-arid classification, heavier precipitation and winter snow accumulations in the mountains to the west provide an abundant supply of water for domestic, industrial and irrigation use. The dry and generally mild climate with warm summers and mild winters, together with an abundant supply of water, provide unusually favorable conditions for industrial development.

Building Permits
Greeley

Year	*No.*	*Value*
1967	285	$2,920,722
1966	247	2,626,705
1965	165	1,802,511
1964	300	3,624,236
1963	356	4,213,209
1962	296	3,349,594
1961	481	3,882,600
1960	400	3,548,000

Commercial & Industrial Construction
Greeley



Source: Greely–Weld County Industrial & Business Development Foundation, Inc.

Greeley Construction in Past Five Years

Homes	*1963*	*1964*	*1965*	*1966*	*1967*
No. of Units	291	191	90	118	114
Value Millions	3.6	2.6	1.2	1.7	2.1
Multi-Units & Apartments					
No. of Units	26	31	14	129	141
Value Millions	.60	1.0	.6	1.7	1.0
Commercial & Industrial					
No. of Units	47	30	17	16	33
(*) Value Millions	1.5	.9	.4	2.1	1.1

* See following chart for 1968 and estimated 1969.

Average Sales Price New Construction	*In Greeley*	*Outside Greeley*
2-Bedroom frame	$14,800	$12,000-15,500
2-Bedroom brick veneer	15,800	13,500-16,000
3-Bedroom frame	16,250	13,500-18,000
3-Bedroom brick veneer	17,250	14,000-18,500
Custom-built	20,000-45,000	20,000-45,000

Greeley housing is generally attractive and well maintained, though the area north of Sixth Street and east of the railroad tracks is of lower quality. There are some larger tract areas east of the tracks that are very desirable. Executive and management personnel would be attracted to Cascade Park, Highland Hills, Glenmere, Belair Park, Cottonwood, and Rolling Hills subdivisions.

Churches

There are 108 churches in Weld County, 59 of which are in Greeley. Thirty-three denominations are represented.

Cultural Assets

Community Center for the Creative Arts
Weld County Art Association
Junior Philharmonic Association
Choral Arts Society
Greeley Recreation Bands
Little Theatre of the Rockies

CSC music and drama presentations weekly
School band and orchestra concerts and dramatic presentations
Associated Students annual lecture series
July 4th Rodeo in Greeley
Annual rodeos in other communities
Various private art galleries
Meeker Museum
Greeley Municipal Museum, etc.

Libraries

Weld County residents have access to both the Weld County Library and the Greeley Library, both located in Greeley. Both are members of the High Plains Library System.

In addition to the 100,700 volumes in the Weld County Library, and the 68,496 volumes of the Greeley Public Library, an unlimited number of books are available upon short notice through the High Plains system.

Education

Public Schools

A total of 20,000 students are enrolled in school districts which have headquarters within the county. About half of the students are in Greeley schools.

Nearly 900 teachers are employed in the 12 school districts. Greeley alone has 440 certified teachers. Beginning salaries range from $4,900 to $6,000. Greeley teachers were placed on a starting salary base of $5,700 in January, 1969, increasing to $6,000 on September 1, 1969.

The district operates several federally-sponsored programs including a full year Head Start, a special Title I, ESEA program.

Aims College

Founded in 1967, Aims opened its doors on September 27, 1967. It is designed to fill a gap in vocational opportunity within the county.

Vocational courses in the curriculum for the Fall, 1968, quarter included Office Occupations (stenographic, secretarial and related programs); Office Occupations (junior administration); Office Occupations (general office clerical program); Office Occupations (office production); Mid-

Management (distributive education); Aviation Technology (commercial pilot); Automotive Mechanics; Drafting-Technical Illustration; Electronics Technology; Engineering Technology; Welding, and Police and Fire Department training.

Colorado State College

Colorado State College, founded in 1890 as The Normal School, is one of the Nation's leading institutions in teacher training. It also offers degrees in a variety of fields outside the field of education. Its graduate degree holders can be found in management and administrative positions with public schools, colleges, universities and governmental agencies across the Nation.

Enrollment has progressed rapidly during the past few years with 8,300 students in 1967-68 and 14,000 expected with the next decade. The college employs nearly 1,000 persons on a full time basis.

Recreation

Greeley has a comprehensive recreational program directed by a full-time director and supervised by three assistants. Recreation to be found in the Greeley area include public parks, golf courses, tennis courts and swimming pools, plus many other facilities for recreation and entertainment.

City and County Services

City Government

Greeley has a home rule form of government which consists of elected council members and a manager functioning under a city charter as well as under Colorado statutes. Greeley's mayor, elected by popular vote is a non-partisan campaign, presides as titular head of the council and represents the city in all official capacities.

Greeley Police Department

Greeley Police Department consists of 37 full-time officers, 10 civilian women employees and 18 volunteer community service officers.

The city's 1967 FBI total crime index was 490, a low index compared with cities of comparable size.

Fire Protection

Greeley has 31 paid firemen and no volunteers. The department has 10 major pieces of equipment including five pumper trucks.

Streets and Highways

Greeley is noted for its 100 foot wide streets and their scenic tree-like beauty. Approximately 86 per cent of a total of 118.92 miles of streets are paved.

U. S. Highways 85 and 34 serve the city, and the community is situated 15 miles east of Interstate 25.

Health, Medical and Hospitals

Weld County has two hospitals, both located in Greeley. Weld County General has a capacity of 350 beds; Memorial Hospital has 35 with plans for future expansion. Weld County General has a staff of 72 physicians and surgeons, 65 per cent of whom are specialists.

Business Factors

Retail Sales

Retail sales totaled $174,875,000 in Weld County in 1967 with about 70 per cent of this figure in Greeley alone. Retail sales in Greeley proper increased 6.8 per cent during the first six months of 1968 over the same period in 1967. Approximately 19 square blocks of retail business are situated in downtown Greeley, plus several shopping centers in the southern and western parts of the city. Approximately 227 business locations are situated in the downtown core area of the city with most air-conditioned and virtually all well maintained. Greeley has a total of 379 retail outlets employing 2,261 persons with a total annual payroll estimated at $9,000,000.

Wholesale Sales

Such sales totaled $45,630,000 in 1967. Greeley has 65 wholesale outlets employing 465 persons with a total annual payroll estimated at $2,500,000.

Banking Business Indicators

Historical

The First National Bank of Greeley was incorporated on

May 6, 1884, and is the oldest bank in Weld County. With one exception, all other banks within Weld County have been established since the turn of the century.

As a matter of interest, and to demonstrate the growth of Weld County banking and the increasing pressure on the loan-deposit relationship, the following figures are presented: (*)

Year	# of Banks	Population	Total Deposits in County	Total Loans in County	% of Deposits Loaned
1930	20	65,097	$ 9,937,000	$ 4,844,000	49
1940	10	63,747	9,800,000	3,434,000	35
1950	11	67,504	43,650,000	16,851,000	39
1960	11	72,344	66,525,000	40,180,000	60
1968	15	81,500 (est)	144,319,000	100,465,000	70

It is also interesting to note that of the present 15 banks presently operating within Weld County, only eight were in existence in 1930.

Weld County experienced significant growth during the early decades of its existence because of its wealth relating to agricultural production. In the early 1930's, agriculture suffered near disaster, a fact reflected not only by a decrease in population, but the failure or liquidation of 12 of its 20 banks. Two new banks began operating in the 1930's—The Greeley National Bank (largest within the city of Greeley) chartered in 1934; and The Eaton Bank, Eaton, Colorado, chartered in 1937. In 1946, The Citizens State Bank of Keenesburg, Colorado, was chartered and no new bank charters were granted until 1962. Based upon estimated county population of 81,500 persons at year-end 1968, the 15 banking offices serve an average of 5,433 persons each within the county.

Current (*)

Bank Debits as of years ended as shown: (Greeley Clearing House)

1964	$1,044,844,514
1965	1,125,875,942
1966	1,265,027,018
1967	1,355,637,372
1968	1,524,684,669
1969	898,807,294 (6 months only)

* County figures extracted from *Polk's World Bank Directory.*

* Year-end deposit and loan figures for Greeley banks extracted from published figures in the *Greeley Tribune* as of call.

Total Deposits in the City of Greeley ONLY for year-end s shown:

1950	$ 30,275,819
1960	51,290,286
1964	76,018,100
1965	83,964,519
1966	91,163,159
1967	98,864,660
1968	111,402,896

Total Loans in the City of Greeley ONLY for year-end s shown:

1950	$ 16,229,094
1960	32,993,250
1964	54,119,946
1965	62,162,035
1966	67,428,681
1967	72,421,566
1968	76,433,113

As can be seen from the above figures as of year-end 968, the banks within the City of Greeley held 77 per cent the deposits and 76 per cent of the loans located within 'eld County.

Utilities

lectricity

Electricity is supplied to Greeley and surrounding areas Home Light and Power Company—an independent vestor-owned company serving an area covering 600 uare miles (all within Weld County) and some 20,000 stomers. Construction has begun on a nuclear power ant at Platteville, some five miles from the company's esent system. Plant being built by Public Service Com- ny of Colorado, from whom Home Light purchases its ctricity. Future availability is extensive.

atural Gas

Natural gas is supplied by the Greeley Gas Company— vestor-owned, and purchasing its gas from Western Slope as Company, with Western's largest supplier being Colo- do Interstate Corporation.

elephone Service

Telephone service is supplied by Mountain States Tele-

phone Company. Total telephones in the Greeley area, including approximately 16 mile radius for toll free charges, were: 1968 (estimate)—32,629; 1967—31,879; 1966—30,521; 1965—28,899; and 1964—27,946.

Transportation

Greeley and Weld County are supplied by four railroads and four motor freight carriers. Greeley itself is served by one bus line with six northbound and seven southbound busses daily.

There are twelve storage plants for agricultural products within the City of Greeley itself. In addition, the following storage and warehousing facilities are available:

(*Storage and warehousing facilities*)

1. 10,000 square feet of storage, 3-car capacity rail siding, dock space for loading and unloading semis, etc. Allied Van Line affiliate.
2. 50,000 square feet of storage, 3-car capacity rail siding, dock space for loading and unloading semis, etc. Representative of Mayflower.
3. 6,000 square feet of storage, no rail siding, dock space for loading and unloading semis, etc. Affiliated with North American Van Lines.
4. Refrigeration only, storage space for 150 rail cars, rail siding, dock space and 750 individual storage lockers for frozen foods.

In addition, City of Greeley, in cooperation with Weld County, operates a public airport located three miles from the center of the city. Includes a 5,080 foot runway, paved taxi strip, dusk to dawn lighting, fueling station, air terminal, hangar space for private planes, weather services including direct FAA line, major engine and aircraft repair service, flight training, and air taxi and charter service. Joint plans with FAA are underway including construction of control tower to be built and manned by FAA personnel. In addition, two crop dusting companies are located at the airport. Denver's Stapleton International Airport is located approximately 50 miles distant served by several airlines and operating over 150 flights per day to major cities. In addition, Stapleton handles several flights per day to foreign countries without equipment change.

Communications

Newspapers

Weld County has twelve newspapers with three of these n Greeley; one daily and two weekly. Colorado State College also publishes a weekly paper.

Radio

Two AM radio stations and two FM stations are located within Greeley. Denver also has AM and FM stations which are, for the most part, available to Greeley's radio audience.

Television

Four Denver commercial stations and one educational TV station are received in Greeley, plus one commercial station located in Cheyenne, Wyoming, some 50 miles distant. Presently, Greeley Video, a cable organization, is entering the Greeley area which will make TV availability very extensive; including three educational channels, plus news channel, weather channel, music channel, and one or Wall Street market reports. Underground cable has been installed throughout Greeley and will operate on a modest monthly charge with no contract required and termination of usage proper at any time.

Industrial Data

Greeley was the first city in the Rocky Mountain Area to purchase and develop an industrial park, first to organize an industrial foundation for financing construction on a non-profit basis, and first to construct a building and lease it to a manufacturer. Site information, economic data, population data, population data and information concerning government, services, transportation, utilities, etc. is available from the Industrial and Business Foundation. Three other areas are being developed in the Greeley area for scientific industry. One to 1,000 acre sites are available through the foundation.

Employment and Labor Data

(See chart of employment classification, page 17 following.)

As of late 1968, less than two per cent of the area population was unemployed, and information from the Greeley Office of Department of State Employment has indicated

that there is easy availability of persons required for new organizations moving into the area. An estimated two per cent per annum decline in numbers of workers remaining in farm employment and moving to town means approximately 50 to 150 persons per annum available for other employment.

In recent years, new industries have had no difficulty in filling new jobs. Agriculture is becoming more mechanized, thus more people are moving from the farm to the city (see above). Local schools and colleges are providing more and better trained persons, many of whom *prefer* to remain in Greeley if employment is available.

Agriculture and Livestock

Agriculture

Approximately 400,000 acres of Weld County's 2,600,000 acres are irrigated. Principal crops grown in Weld County are:

Sugar beets	79,250 acres
Potatoes	12,000 acres
Alfalfa	110,000 acres
Beans	48,000 acres
Corn	95,100 acres
Wheat	200,000 acres
Barley	76,000 acres
Oats	22,000 acres

Weld County ranks first in the United States in total acres of sugar beets and production of sugar, and *ninth* (*) in total value of agricultural products sold.

Livestock

Approximately 20,000 head of dairy cattle are located in Weld County. 175,000 or more head of cattle are on feed continually producing approximately 500,000 head of feedlot cattle sold each year. 30,000 to 35,000 head of breeding cattle are located within the county and between 200,000 and 250,000 head of lambs are fed each year, in addition to 6,000 head of hogs. Monfort Packing Company—capacity of more than 500,000 lambs and nearly 250,000 head of cattle per year.

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* *Rocky Mountain News*, September 5, 1969, updates this figure to *seventh*.

INDUSTRIAL AND COMMERCIAL GROWTH

From all of the historical data it can be seen that Weld County and Greeley have enjoyed an extremely strong and sound growth and the future prospects look even brighter. A spectacular new development is the newly planned Kodak Company plant at Windsor, Colorado, 13.5 miles northwest of the City of Greeley, which according to *Harman, O'Donnell and Henninger Associates, Inc.*, will be employing about 1,000 people in 1971, and a construction force of between 500-750 persons will be needed in the initial years of construction (1970-1975) and after that, a permanent force of construction workers, with peaks reaching as high as 400-500 workers, will continue building plant facilities through 1990. Applicant believes the above estimated employment figures to be conservative. Applicant believes that the experience at the I.B.M. facility at Boulder, Colorado, is likely to be repeated by Kodak at Windsor. On March 3, 1965, I.B.M. officials announced that its new plant and development laboratory at Boulder would employ 1,000 persons, but by October, 1965, the employment figure was double the 1,000 originally announced, and according to an I.B.M. official at Boulder the present employment stands at 4,300 persons. The report estimates that approximately 27% of the Kodak employees in the plant will reside at Greeley. Presently, according to the same report, 28.7% of the residents of Windsor do their shopping in the City of Greeley when purchasing selected retail goods and services. Therefore, if this trend continues as the Kodak installation develops, the City of Greeley and the financial institutions located there will be called upon to satisfy a substantial demand from Windsor residents for individual banking services of all kinds.

North central Colorado, beginning with the installation of the plant by I.B.M. at Niwot, Colorado, has seen other facilities installed or about to be installed by national concerns such as Western Electric, Hewlett-Packard, and State Farm Insurance Company. Applicant sees no reason why this trend should not continue in North central Colorado, thus insuring a growing rate of industrial and commercial expansion for the entire area.

In addition, a report to the Greeley Area Industrial & Business Development Foundation dated December 12, 1968, states as follows: "It doesn't seem possible, that already

our prospects cover a broad scope of the industrial spectrum and a wide far-flung geographic area." This Foundation is presently working with 50 *active* prospects located in 21 states. The seven general areas for industrial development which the Foundation is stressing are as follows:

1. Research and development of new methods for growing, packing and freezing food products on year round basis, plus distribution and market studies.
2. Electronics oriented manufacturing facilities.
3. Paper box, carton and package manufacturing.
4. Manufacture and distribution of agriculturally oriented equipment based upon scientific farming and cattle raising.
5. Recreation oriented equipment manufacturing and distribution.
6. Space age facility support and research and development leading to manufacturing.
7. Oil production equipment, supply and distribution. Also marketing research for and management contacts with the oil industry.

Applicant believes that the tremendous work of the Foundation alone and its optimism about its success insures a spectacular industrial growth in the Greeley and Weld County area.

Agricultural Future Demand for Farm Credit

According to *Andrew F. Brimmer*, a member of the Board of Governors of the Federal Reserve System, in an address on December 28, 1967, entitled "Central Banking and the Availability of Agricultural Credit," stated, "This is one of the horns of the farm dilemma faced by the banking system: *farm credit demands in the aggregate are growing faster than total banking resources.*" Governor Brimmer went on to state, "The foregoing discussion has concentrated on the large and *pervasive* expansion in farm credit use during the recent past. But what of the future? *All* who have studied this subject agree that future credit demands will *continue to expand rapidly.*" Governor Brimmer, quoting John Brake as having projected outstanding farm debt of *$100 billion* in 1980, stated that this was "a rather startling round number, but one that would be surpassed at the current rate of increase . . . Use of

credit in farming (in 1980) would then be approaching levels currently found in non-farm enterprises; debt-asset ratios average around 40 per cent in manufacturing enterprises and near 50 per cent in non-financial corporate business." (All emphasis supplied.)

Applicant feels certain that the community in *all* its economic aspects can look forward to a substantial growth —and in the immediate future. As a result . . .

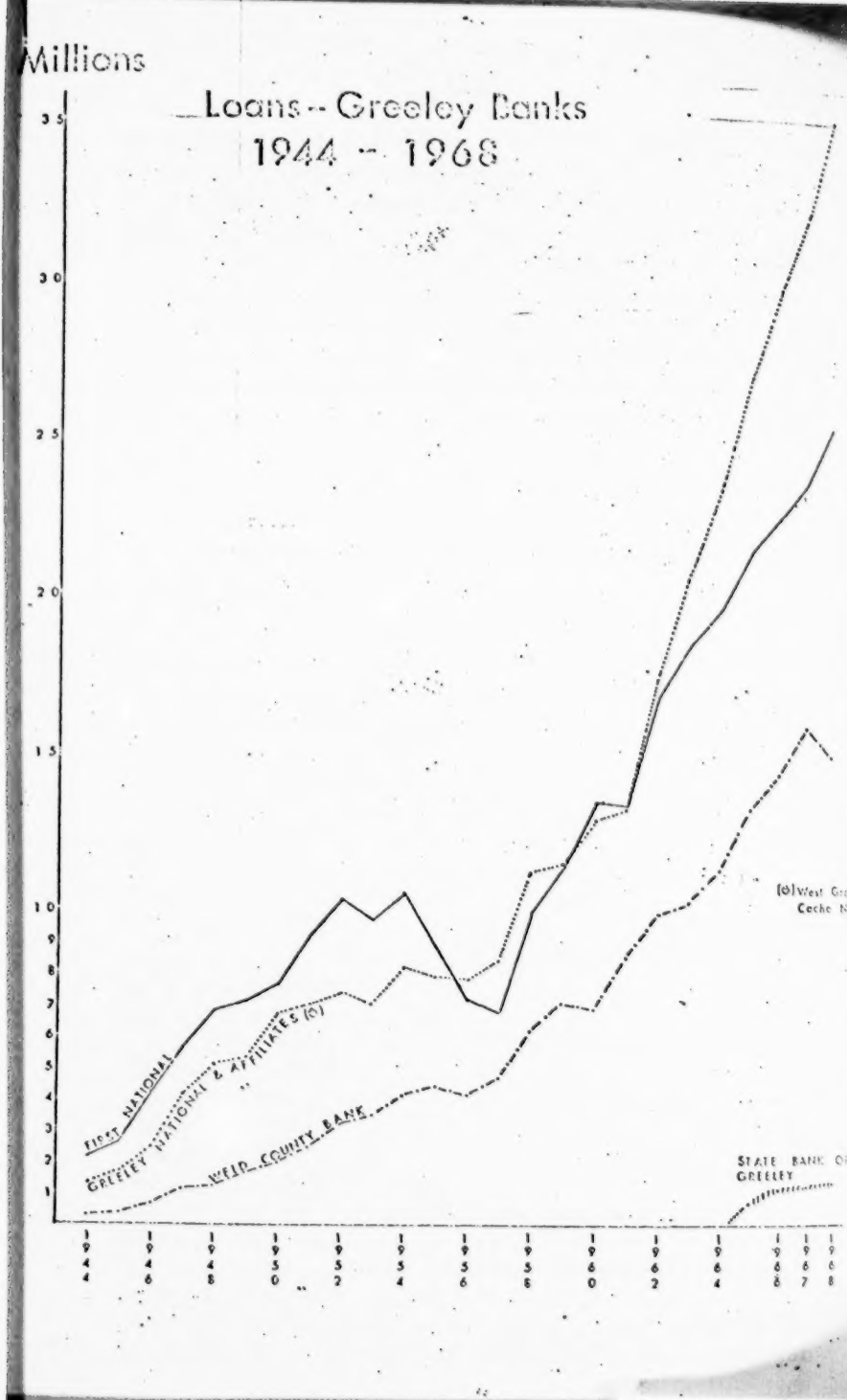
The following are set forth as statistical evidence of the (illegible) patterns in the area:

1. Weld County—Employment Classification
2. Loans—Greley Banks, 1964-1968
3. Greeley Bank Deposits Per Cent Held, 1944-1968
4. Total Loans and Deposits, All Greeley Banks, 1944-1968
5. Loans—Greeley Banks, 1944-1968
6. Deposits—Greeley Banks, 1944-1968
7. Population Trends, City of Greeley

WELD COUNTY
EMPLOYMENT CLASSIFICATION *

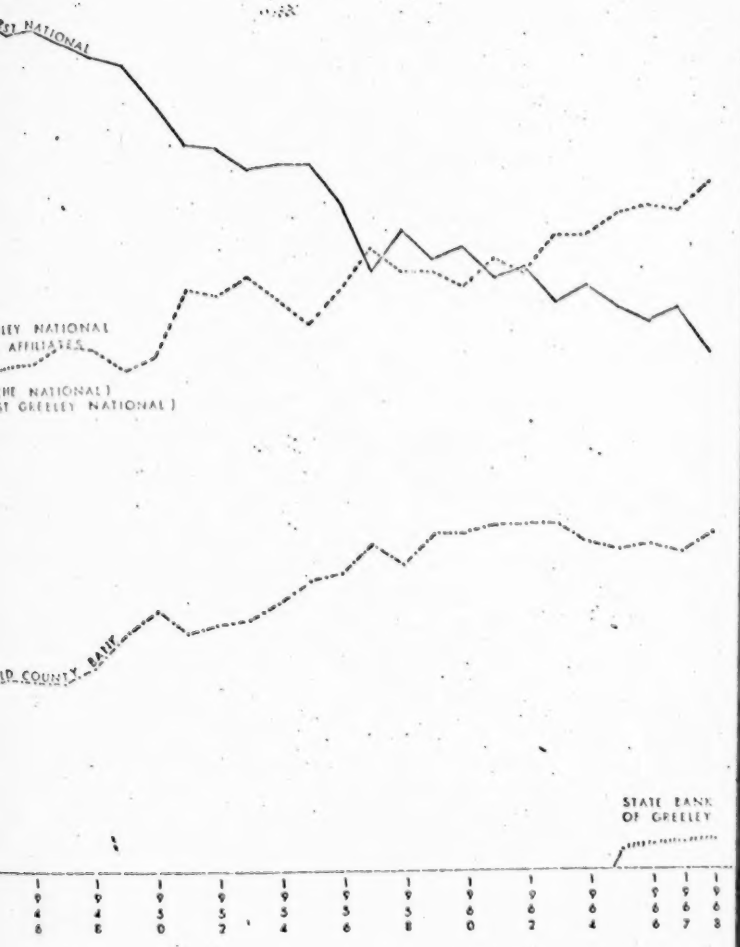
Industry	*1950*	*1960*
Agriculture Service, Forestry, Fisheries	8,620	6,445
Mining	249	165
Contract Construction	1,451	1,935
Manufacturing	1,300	2,511
Transportation and Other Public Utilities	1,159	1,596
Wholesale Trade	780	824
Retail Trade	3,145	3,578
Finance, Insurance and Real Estate	456	931
Services	4,439	6,496
Unclassified Establishments	333	448
TOTAL	21,932	24,929

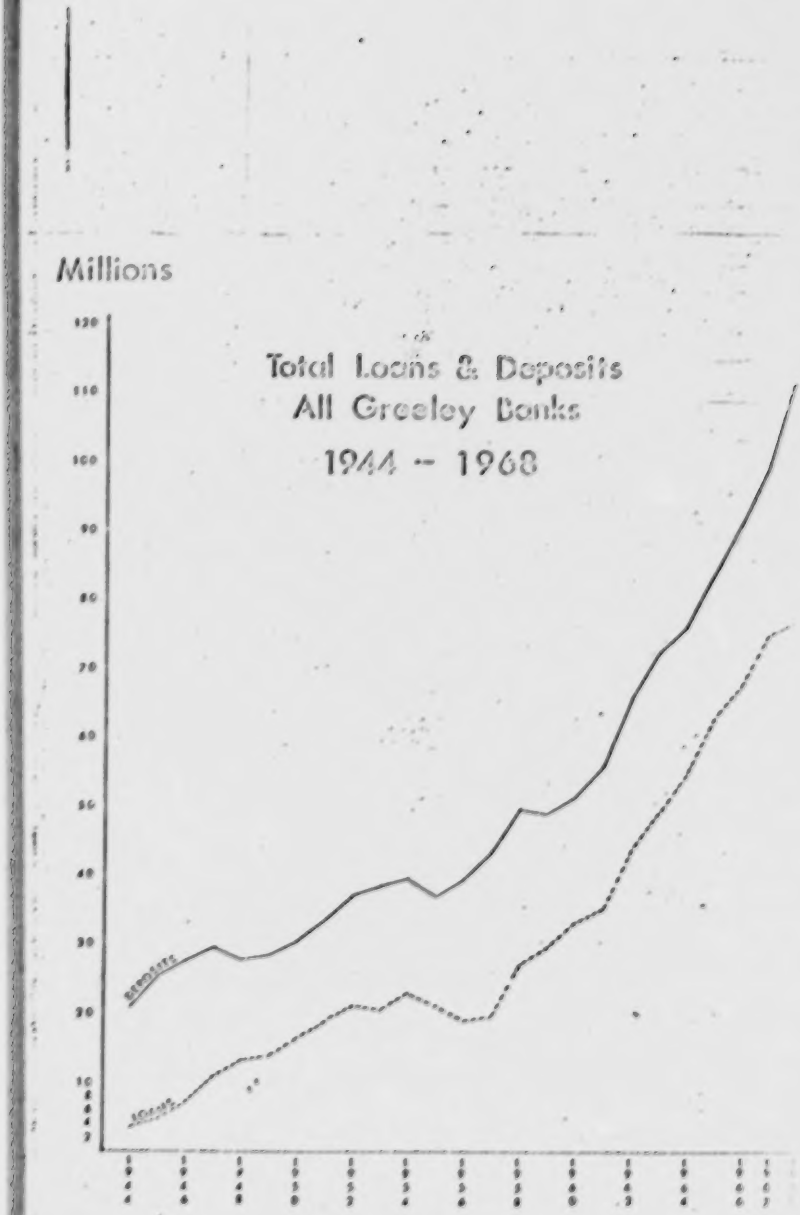
* Bureau of Census


Millions
Loans -- Greeley Banks
1944 - 1968
35
30
25
20
15
10
9
8
7
6
5
4
3
2
1
FIRST NATIONAL
GREELEY NATIONAL & AFFILIATES (a)
WELD COUNTY BANK
STATE BANK OF GREELEY
1944
1946
1948
1950
1952
1954
1956
1958
1960
1962
1964
1966
1967
1968

POOR COPY

Greeley Bank Deposits
Per Cent Held, 1944--1968




Millions
Total Loans & Deposits
All Greeley Banks
1944 - 1968
120
110
100
90
80
70
60
50
40
30
20
10
8
6
4
2
DEPOSITS
LOANS
1944
1946
1948
1950
1952
1954
1956
1958
1960
1962
1964
1966
1968

Loans

Loans -- Greeley Banks

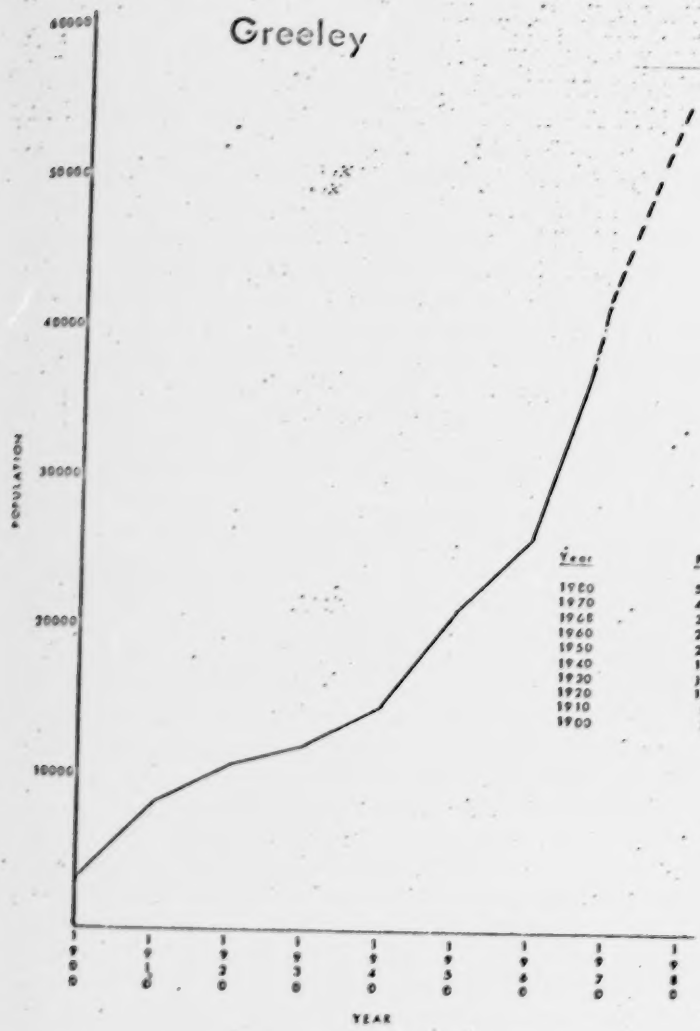
1944 -- 1968

Deposits - Greeley Banks
1944 - 1968
MILLIONS
FIRST NATIONAL
GREELEY NATIONAL AND AFFILIATED
WELD COUNTY BANK
West Greeley National
Corbo National Bank
STATE BANK OF
GREELEY

(6)

Population Trends

Greeley



Year	Population
1980	55,000
1970	42,000
1968	37,971
1960	26,314
1950	21,354
1940	15,995
1930	12,203
1920	10,958
1910	8,179
1900	2,023

Source: Greeley—Weld County Industrial Business Development Foundation, Inc.

COPY

(C) *Real Estate Financing.*

* * * * *

loans in the five county area. For example, during the first seven months of 1969, published recorded statistics indicate that The First of Denver recorded $39.3 million, compared to the next largest recorder, Western Federal Savings & Loan, of $34.4 million.

In line with the national trend, during the last decade of commercial banks increasing their mortgage lending activity, The First National Bank of Denver has developed a very large real estate loan department. It has increased its construction loan lending from $5 million outstanding in 1965 to $20 million in 1969. Because of its knowledge and expertise in the field, it has been able to sell participations to large Eastern banks; over the last few years averaging $20 million outstanding in addition to its own outstandings.

* * * * *

Bank of Denver, in July of 1968, completed the acquisition of mortgage loan servicing contracts of the Mortgage Investments Company, the largest mortgage banking firm in the Rocky Mountain region. Through the acquisition of these servicing contracts, The First National Bank of Denver now represents 40 institutional investors who make available long term mortgage loan funds through The First National Bank of Denver. First National is at present servicing loans totaling approximately $271,000,000. These investors if this Application is approved will be represented by Greeley, thereby providing significant additional long term mortgage loan funds to the Greeley area.

Mortgage Investments Company maintained four branch offices, one each in the Happy Canyon Shopping Center and Bear Valley Shopping Center in Denver, one in Colorado Springs and one in Greeley. Following consummation of the purchase, First National acquired all applicable personnel of Mortgage Investments Company and those who were employed in the branch offices continued on as employees of First National. First National by assignment became lessee of offices. These offices now became "Loan Production Offices" of First National and as such the business transacted there was significantly restricted due to Colorado Anti-Branch Banking laws. Full service to mortgage loan borrowers is thus not possible. Loan production offices are not permitted to disburse loan proceeds

nor to collect payments on mortgages after they are made. Loan production offices are limited to the solicitation and processing of loan applications.

INTERNATIONAL TRADE POTENTIAL OF THE WELD COUNTY AREA

The *Rocky Mountain News* of Septemebr 5, 1969 refers to Weld County as the richest farm county east of the Rockies, and the seventh richest farm county in the Nation. The article also states that the county's farm economy is further boosted by the presence of Monfort Feed Lots which feeds 100,000 head of cattle daily, the world's largest under private ownership. This fruitful county paralleling the east range of the Colorado Rockies is larger than Rhode Island, Delaware, and the District of Columbia combined.

In addition to its rich farm economy, Weld County as pointed out above is fast gaining attention as an unusually promising location for industrial expansion, for example, the nuclear power plant being constructed near Platteville, and the major new plant of Eastman Kodak Company near Windsor. Ampex, Hewlett Packard, Minneapolis Honeywell, Orbintronics, Inc., Bendix Corporation, Ferroxcube, are just a few of the many companies attracted to Colorado in recent years, and all having international markets.

The U. S. Department of Commerce Field Office in Denver indicates that the Weld County area, of which Greeley is the hub, is an increasingly important contributor to the expansion and development of export trade. Approximately 25 per cent of Weld County firms are currently exporting, and it appears from evaluation of manufacturing industries that this percentage could increase to 40-50 per cent in the not too distant future. Although no export volume figures are available by individual county breakdown, it is believed that Weld County will continue to make a sizeable contribution to Colorado's present export volume of approximately $125,000,000 annually.

(f) *Marketing, Advertising and Public Relations*

Applicant, in its application to become a Registered Bank Holding Company, stated that it would "initiate and assume responsibility for a concentrated and detailed joint advertising program." This is presently being done under the supervision of a senior vice president of First National, utilizing the agency employed by Applicant and its subsidiaries.

4. *Extent to which changes are contemplated in present banking hours, facilities, or other convenience factors.*

Applicant has no present plans, nor does Greeley at present contemplate changes in banking hours or parking facilities. Greeley considers its hours to be adequate to meet the convenience and needs of its present customers and to serve the community. Of course, should it become desi essary to effect changes in this regard, Applicant has no doubt but that ment of Greeley will immediately initiate the necessary changes. As far is concerned, Greeley has at the present time adjacent to the bank very convenient parking facilities, and it does not appear that any changes will become necessary in the near future. Banking quarters having been improved are considered very good by both Greeley and Applicant.

5. *Extent to which present or prosed services are currently being now competing in the community.*

Appendix A sets forth in considerable detail the extent to which proposed services are currently being approved by banks now competing in the community to Applicant's best knowledge.

APPENDIX A—to EXHIBIT F

Comparison of Existing Services Offered by First National, Greeley and Competing Banks

F—Full Service
L—Limited Service
N—No Service
C—Correspondent
N.A.—Information Not Available

	First National			Greeley			One or More Competing Banks		
SERVICE	F	L	N	F	L	N	F	L	N
Individuals-Banking									
1. Aircraft Loans-Installment	x				x			x	
2. Appliance Loans-Installment	x			x			x		
3. Automatic Savings Plan	x			x			x		
4. Automobile Loans-Installment	x			x			x		
5. Bank-by-Mail	x			x			x		
6. Blue Ribbon (5% Savings Passbook)	x					x	x		
7. Checking Accounts-Regular and Special	x			x			x		
8. Christmas Club	x			x			x		
9. Dividend Collection	x				x			x	
10. Foreign Remittances	x				x			x	
11. Home Furnishing Loans	x				x		x		
12. Home Improvement Loans-F.H.A.-Title 1.	x			x			x		
13. Home Improvement Loans-Other	x					x		x	
14. Home Mortgage Loans-Conventional	x				x		x		
15. Home Mortgage Loans-F.H.A.-V.A.	x					x	x		
16. Insurance Premium Financing	x			x				x	
17. Investment Time Certificates	x					x	x		
18. Mobile Home Financing-Direct	x					x		x	
19. Personal Loans-Collateral	x			x			x		
20. Personal Loans-Instalment	x			x			x		
21. Personal Bank Money Orders	x			x			x		
22. Retail Charge Plan	x			x			x		
23. RevolvAccount (Revolving Instalment Credit)	x					x	x		
24. Safe Deposit	x			x			x		
25. Safekeeping Accounts	x				x			x	

	First National			Greeley			One or More Competing Banks		
	F	L	N	F	L	N	F	L	N
26. Savings Accounts	x			x			x		
27. Traveler's Checks	x			x			x		
	27	0	0	16	5	6	20	7	0
Corporate Banking									
1. Accounts Receivable Loans	x			x			x		
2. Accounts Reconciliation	x					x			x
3. Cash Letter Service for Correspondent Banks	x				x			x	
4. Certificates of Deposit	x			x			x		
5. Commercial Checking Accounts	x			x			x		
6. Commercial Loans-Unsecured	x			x			x		
7. Commercial Paper Purchases, Custody and Collections	x				x			x	
8. Conventional Construction Mortgage Loans	x				x		x		
9. Correspondent Banks	x				x			x	
10. Coupon and Bond Collection	x			x			x		
11. Customer Payroll Service	x					x		x	
12. Domestic Collection	x			x			x		
13. Draft Plans-Freight, Ins. Agents, etc.	x					x			x
14. F.H.A. Insured Construction Loans	x					x		x	
15. Floor Plan Loans	x				x			x	
16. Indirect Boat, Trailer and Motor Financing	x					x		x	
17. Indirect Lease Financing	x					x		x	
18. Indirect Mobile Home Financing	x					x		x	
19. Industry Specialists-Transportation, Oil, Finance, etc.	x					x			x
20. Insurance Premium Collection	x					x			x
21. Inventory Loans (Field Warehousing, etc.)	x				x			x	
22. Machinery and Equipment Loans (Instalment, Direct and Indirect)	x			x				x	
23. Money Transfer-Include Bank Wire	x				C			C	
24. Mortgage Loans-Conventional and Gov't. backed	x				x			x	
25. One Check Payroll Plans	x				x			x	
26. Payroll Accounts	x			x			x		

	First National			Greeley			One or More Competing Banks		
	F	L	N	F	L	N	F	L	N
27. Post Office Box Plans (lock box)	x				x			x	
28. Revolving Credit Loans	x			x			x		
29. Safekeeping	x			x			x		
30. Secured Loans (B/R's, Collections, Trust Receipts, etc.)	x			x			x		
31. Securities Clearance Facilities	x					x			N.A.
32. Term Loans	x				x			x	
	32	0	0	11	11	10	11	16	4
International Banking Services									
1. Acceptance Financing	x					x			x
2. Advances Against Collections	x					x			x
3. Commercial Letters of Credit	x				C			C	
4. Export Credit Insurance and Guarantees	x				C			C	
5. Foreign Collections	x				C			C	
6. Foreign Correspondents	x					x			x
7. Foreign Credit Information and Investigation	x					x			x
8. Foreign Exchange-Purchase and Sale	x				C			C	
9. Foreign Remittance and Draft Service	x				C			C	
10. Foreign Trade Specialists	x					x			x
11. Forward Exchange Contracts	x					x			x
12. Letters of Introduction	x				x			x	
13. Traveler's Checks	x			x			x		
14. Traveler's Letters of Credit	x				x			x	
	14	0	0	1	7	6	1	7	6
Personal Trust Services									
1. Administration of Estates	x			x			x		
2. Agent for Individual Acting as Executor or Trustee	x			x			x		
3. Committee of Property for Incompetents	x			x			x		
4. Estate Planning	x			x			x		
5. Executor (co-executor under wills)	x			x			x		
6. Financial Planning	x				x			x	
7. Guardian of Property of Minors	x			x			x		
8. Investment Advisory Service	x				x				
9. Investment Information	x				x				
10. Tax Consultation	x				x			x	

	First National			Greeley			One or More Competing Banks		
	F	L	N	F	L	N	F	L	N
11. Trustee (co-trustee) under Life Insurance Trusts	x			x			x		
12. Trustee (co-trustee) under Living Trusts	x			x			x		
13. Trustee (co-trustee) under Wills	x			x			x	_	
14. Trustee of Business Insurance Trusts	x			x			x		
	14	0	0	10	0	0	10	2	

Pension Trust Service

1. Agent for Individuals as Trustees for Profit Sharing Plans	x				x			x	
2. Specialized Employee Health and Welfare Services-Profit Sharing Trusts	x					x			x
3. Trustee for Employee Savings Plans	x					x			x
4. Trustee for Employee Stock Purchase Plans	x					x			x
5. Trustee for Individual Self-employed Retirement Plans	x			x			x		
6. Trustee for Pension Plans	x			x			x		
7. Trustee for Profit Sharing Plans	x			x			x		
	7	0	0	3	1	3	3	1	3

Corporate Trust and Finance Services

1. Bond and Coupon Cremation, Audit and Paying Service for Municipalities and Corporations	x					x			x
2. Depository for Securities under Reorg.	x					x			x
3. Financial Planning	x					x			x
4. Fiscal Agency	x				x			x	
5. Mergers and Acquisitions	x					x			x
6. Paying Agent-Bonds and Coupons	x			x			x		
7. Trustee for Bond and/or Debenture Issues	x				x			x	
	7	0	0	1	2	4	1	2	4

	First National			Greeley			One or More Competing Banks		
	F	L	N	F	L	N	F	L	N
Corporate Agency Service									
1. Agent for Deposit of Stock and Acceptances of Tenders	x					x			x
2. Agent of Voting Trustees	x					x			x
3. Agent to Microfilm and Cremate Cancelled Stock Certificates	x					x			x
4. Conversion Agent	x					x			x
5. Depositary for Stock Under Plans of Recapitalization	x					x			x
6. Divided Disbursing Agent (cash or stock)	x					x			x
7. Escrow Agent	x					x			x
8. Exchange Agent	x					x			x
9. Inspections of Elections at Stockholder Meetings	x					x			x
10. Mutual Funds (Dividend disbursing Agent, Fund Bookkeeping and Pricing, Processing of Plan Accounts, and Transfer Agent)	x					x			x
11. Proxy Tabulation Agent	x					x			x
12. Redemption Agent	x					x			x
13. Registrar	x					x			x
14. Script Agent (Including Purchase and Sale of fractional Shares for Stockholder's Accounts)	x					x			x
15. Stock Distribution Agent	x					x			x
16. Subscription Agent (Including Purchase and Sale of Rights for Stockholder's Accounts)	x					x			x
17. Transfer Agent	x				x				x
18. Warrant Agent	x					x			x
	18	0	0	0	1	17	0	0	1
Miscellaneous Services									
1. Bond Portfolio Analysis	x					x		x	
2. Certificates of Deposit-Negotiable	x			x			x		
3. Credit Department-Investigations, Analysis and Files	x				x			x	
4. Data Transmission	x					x			x
5. Deposit Accounting for Correspondent Banks	x					x			N.A.
6. Escrow Agent	x				x			x	

	First National			Greeley			One or More Competing Banks		
	F	L	N	F	L	N	F	L	N
7. F.H.A. Insured Special Project Loans (e.g. Nursing Homes, Senior Citizen's Homes, Apartment Houses, etc.)	x					x		x	
8. Federal Funds Transactions	x					x			x
9. *Future* Marketing of G.N.M.A. Mortgage-backed Securities	x					x			N.A.
10. Municipal Bond Consultation Service	x					x			x
11. Municipal Bond Underwriter and Dealer	x					x			x
12. Night Depository	x			x			x		
13. Real Estate Investment Counseling	x					x	x		
14. Record Account-Personal and Business	x					x			x
15. Savings Bonds-Sales and Redemptions	x			x			x		
16. Stock Transfer and Registrar by Bank Wire	x					x			x
17. Time Deposits-Open Account	x				x			x	
18. Treasury Tax and Loan Depository	x			x			x		
	18	0	0	4	3	11	5	5	6
TOTAL	137	0	0	46	34	57	51	40	43

COMPETITIVE SITUATION

As of December 31, 1968, the ten largest *UNIT BANKS* in Colorado, their respective deposits and percentage of total deposits in Colorado were as follows:
(Information taken from Polk's World Bank Directory.)

Name	Deposits	% of Total Deposits in Colorado ($3,857,761,820)
1. The First Nat'l Bank of Denver	$ 550,248,825	14.26
2. Denver U.S. Nat'l Bank	487,805,000	12.64
3. Colorado Nat'l Bank	281,219,676	7.29
4. Central Bank & Trust Co.	216,616,370	5.62
5. American Nat'l Bank	123,553,984	3.20
6. The First Nat'l Bank of Colo. Springs	92,628,047	2.40
7. The First Nat'l Bank of Boulder	58,669,926	1.52
8. The First Nat'l Bank of Pueblo	57,380,902	1.49
9. The Exchange Nat'l Bank—Colo. Springs	51,753,339	1.34
10. The First Nat'l Bank of Englewood	50,400,898	1.31
Total	$1,970,276,967	51.07

As of December 31, 1968, the ten largest *BANKING ORGANIZATIONS* in Colorado, their respective deposits, and percentage of total deposits in this area are as follows:
(Information taken from Polk's World Bank Directory.)

1. Applicant	$ 568,986,244	14.75
2. Denver U.S. Bancorporation	557,049,973	14.44
*3. Colorado CNB Bankshares	300,458,056	7.79
4. Affiliated Bankshares of Colorado	245,971,958	6.38
5. Central Bank & Trust Co.	216,616,370	5.62
6. Western Bancorporation	202,224,577	5.24
7. First Colorado Bankshares	133,121,308	3.45
8. The First Nat'l Bank of Pueblo	57,380,902	1.49
9. Exchange Nat'l Bank—Colo. Springs	51,753,339	1.34
10. Jefferson County Bank of Lakewood	44,382,038	1.15
Total	$2,377,944,765	61.65

* Includes Lakewood National Bank if approved.

As of December 31, 1968, the percentage of total deposits in the state of Colorado held by Registered Bank Holding Companies was as follows:

(Information taken from Polk's World Bank Directory.)

*1. Denver U.S. Bancorporation	$ 660,327,585	15.56
2. Applicant	368,986,244	14.75
**3. Colorado CNB Bankshares	300,458,036	7.79
***4. Affiliated Bankshares of Colorado	245,971,958	6.37
5. Western Bancorporation	202,224,577	5.24
6. First Colorado Bankshares	133,121,308	3.45
Total	$2,051,089,728	53.16

* Includes Poudre Valley National Bank of Ft. Collins and Arkansas Valley Bank of Pueblo (which have been approved by the Board).

** Includes Lakewood National Bank—application pending.

*** Assuming approval of application filed to become a Registered Bank Holding Company.

If this application is approved, Applicant's percentage of deposits within the state of Colorado will be increased by .95 percentage points to 15.70%.

Approval of Applicant's proposal would increase Registered Bank Holding Company control of individual banks (including those acquisitions approved and proposed referred to previously) by .4 percentage points from 16.3% to 16.7%.

From the above statistical information, it is readily apparent that approval of this application would *not* create or tend to create a monopoly or be in furtherance of any combination or conspiracy to monopolize the business of banking in Colorado, nor in any part of the United States.

1. *Judgment of Bank's officers as to Bank's approximate service area, the actual or estimated population of such area, and an explanation of the basis for such a service area delineation.*

Greeley's Primary Service Area, that area within which approximately 80% of Greeley's I. P. C. Demand, Savings, and Time deposits originate, and within which in excess of 75% of Greeley's loans orginate, is more particularly described as follows: Commencing at Eaton, Colorado, located 7 miles north of the city of Greeley, extending in a southeasterly direction approximately 15 miles to the community of Gill, Colorado, thence in a southwesterly direction approximately 23 miles to the community of Platteville, Colorado, thence in a north-northeasterly direction returning to the original point. (This area is delineated in blue

on Exhibit G-1 attached.) The communities located within this area, in addition to the city of Greeley, include Eaton, Gill, Kersey, Platteville, Gilcrest, Peckham, LaSalle, Evans, and Lucerne. With the exceptions of Greeley, LaSalle and Eaton, none of these communities have any banking facilities.

In addition to Greeley's Primary Service Area described above, there exists a "sphere of influence" which extends in an easterly and northeasterly direction from the city of Greeley proper, and covers an area of Weld County large in size but sparsely populated. Such "sphere of influence" is delineated on Exhibit G-1 by blue dotted lines. Because of the size of Weld County (approximately 4,000 square miles) and as the city of Greeley is the county seat, it is reasonable to assume that livestock and agricultural business in particular insofar as banking requirements are concerned would trend toward the city of Greeley from the "sphere of influence" as outlined. Also, because the city of Greeley is the county seat of Weld County, a certain amount of banking business situated in the northern and western sections of Weld County would also trend toward the city of Greeley.

Greeley's Primary Service Area was determined by counting the number of loans and I. P. C. accounts and determining the dollar amount of same, whose mailing addresses were those listed in the communities previously mentioned. In a rural area, these addresses include various rural routes and through discussion by Greeley's officers with the postal authorities the boundaries were determined to the extent possible to be those indicated on Exhibit G-1.

The population of Greeley's Primary Service Area is estimated to be approximately 46,000 persons. The Bureau of the Census figures as of 1960 were developed through the use of various census Districts within Weld County, and with the exception of the city of Greeley itself, these Districts include rural areas as well as certain communities within set Districts making accurate population estimates within Greeley's Primary Service Area extremely difficult. Based upon a census of the city of Greeley taken at the request of the Greeley Chamber of Commerce in the summer of 1968, the city of Greeley had an estimated population of 37,000 persons excluding 8,500 students located at Colorado State College. To this figure was added estimates of current

population made by Division of Accounts and Control, State of Colorado Budget Office for the communities other than Greeley located within Greeley's Primary Service Area. In addition, an estimated density factor was applied to the rural section of Greeley's Primary Service Area based upon the 1960 census District figures resulting in an estimated total population within Greeley's Primary Service Area of approximately 46,000 persons.

Applicant has no subsidiary bank competing in Greeley's Primary Service Area. Applicant's closest subsidiary to Greeley is The First National Bank of North Glenn, Colorado, whose only office is situated approximately 46 miles from the city of Greeley. (See Exhibit G-1 attached.)

5. Offices of all other banks that Applicant believes to be competing with Bank, indicating:

(a) Name of Bank and Location	(b) Distance and Direction From The First National Bank of Greeley
Greeley, Colorado	
Cache National Bank 2600—11th Avenue	1.7 Miles Southwest
Greeley National Bank 8th Avenue and 8th Street	4 Blocks Northeast
State Bank of Greeley 8th Avenue and 9th Street	3 Blocks Northeast
Weld County Bank 1000—10th Street	1½ Blocks Northwest
West Greeley National Bank 2627 W. 10th Street	1.8 Miles West
Eaton, Colorado	
The Eaton Bank P.O. Box 428	7.0 Miles North
LaSalle, Colorado	
South Platte National Bank P.O. Box 128	6.0 Miles South

The above banks, as well as Greeley, are shown on Map, Exhibit G-1 attached.

8. *Amount of correspondent bank balances as of the date*

of the Bank's most recent report of condition (April 30, 1969) *filed with the appropriate supervisory authority:*

(a) *Of Bank due from each subsidiary of the Applicant and Applicant if it is a bank;*

The First National Bank of Denver—$2,051,989.07.

(b) *Of Bank due from other banks showing only the number of such other banks and the aggregate balance;*

Eleven banks (including balance with Denver Branch of Federal Reserve Bank of Kansas City)—$2,223,182.97.

(c) *With Bank due to each subsidiary of the Applicant and Applicant if it is a bank;*

None

(c) *With each subsidiary of the Applicant, and Applicant if it is a bank, due to each other bank listed in Item 5 of this Exhibit as competing with an office of Bank.*

First National—Four accounts—$603,109.20.

No other subsidiary of Applicant has any correspondent bank balances from any of the banks listed in Item 5 of this Exhibit.

9. Number and total amount of loans originated (during a 12 month period ended not more than 3 months prior to the date of the application) by:

(a) *The Bank which were placed or shared with each of the Applicant's subsidiary banks, and the Applicant if it is a bank, and with other banks, showing separately for each category the amount retained by the Bank;*

Originated by:	*# of Loans*	*Total Amount*	*Retained by Greeley*
The First National Bank of Greeley	3	$1,412,363.65	$900,000.00

(All of the above loans were participated to The First National Bank of Denver. No loans were participated to any of the Applicant's other subsidiaries.)

Participated with other banks:

Originated by:	*# of Loans*	*Total Amount*	*Retained by Greeley*
The First National Bank of Greeley	10	$4,660,037.50	$2,879,800.00

(b) *Each of the Applicant's subsidiary banks, and the Applicant if it is a bank, which were placed or shared with the Bank, and the amount of such loans taken by the Bank;*

None

(c) *Other banks which were placed or shared with the Bank, showing separately for each category the amount taken by the Bank.*

Originated by:	*# of Loans*	*Amount taken by Greeley*
Other banks	5	$1,290,000.00

EXHIBIT G-1

Map Showing Location of Applicant's Subsidiaries, Greeley, and Two Banks Competing with Greeley Not Located Within the City of Greeley Proper.

(Two Banks Not Located Within the City of Greeley Proper Are The Eaton Bank at Eaton, Colorado; and The South Platte National Bank at LaSalle, Colorado.)

EXHIBIT G-2

Map Showing Location of All Banks and Nonbank Financial Institutions Located Within the City of Greeley.

First National does have a number of deposit and loan accounts located within Greeley's Primary Service Area. These are more particularly delineated as follows: (as of July 31, 1969)

Deposits:

*Demand	39 accounts	$1,109,805.28
Time and Savings	41 accounts	$ 107,151.39

Loans:

Personal	28 loans	$2,051,115.00

(The majority of these loans were detailed in the original application as "CONFIDENTIAL" material.)

Residential Real Estate	3 loans	$ 51,823.25
*Commercial Real Estate	1 loan	$ 289,553.00
*Commercial and Industrial	2 loans	$ 777,500.00
*Farm	18 loans	$4,370,713.00

*Three of First National's larger customers live within Greeley's Primary Service Area. They are (1) Confidential (2) Confidential Conf, and (3) Confidential These companies are long time customers of First National and are engaged in either livestock feeding or livestock processing operations. The primary reason these accounts are handled directly by First National is that the Greeley banks have been unable to handle their extremely large financing requirements whose approved lines of credit are in excess of $20,000,000. Conf credit needs are constantly in eight-figure amounts, and Conf needs are in seven-figure amounts throughout the year. In the items listed above, "Demand Deposits" associated with Conf entities totaled $878,147.60; "Commercial Real Estate" is all attributable to Conf "Commercial and Industrial" loans to Conf total $576,000.00; and in the "Farm" loan category, $1,918,500 is to Conf and $1,513,000 is to Conf Conf The remaining Farm loans are participations from various Greeley banks either because such lines exceed the legal limits of the banks involved, or the banks are short of lendable funds.

EXHIBIT C (Supplemental)

1. *Financial information, preferably in columnar form, consisting of:*

(a) *A balance sheet of the Applicant, showing separately each principal group or class of assets, liabilities, and capital accounts, and similar in form to that which would be sent to, or prepared for, its shareholders, as of the date of the application, or as of a date not in excess of three months prior thereto provided a summary statement is included of all significant*

changes in the interim to the date of the application or that there have been no such changes;

(b) *Debit and credit adjustments, explained by footnotes, to each asset, liability, and capital account relating to each proposed transaction; and*

(c) *The resulting pro forma balance sheet.*

See letter and balance sheet of Applicant attached.

7. *Any plans involving capital improvement programs of Applicant or any of its subsidiaries.*

Applicant must and will accept the responsibility of providing each of its subsidiary banks with additional capital funds if the subsidiaries cannot retain sufficient capital out of their own earnings. A preliminary study by Applicant of the capital requirements of its four subsidiaries indicates that within the next two years the following additions to capital could properly and profitably be made:

The First National Bank of Denver	None
The First National Bank of Bear Valley	$400,000.00
The First National Bank of North Glenn	$400,000.00
The First National Bank of Southglenn	$200,000.00

Applicant has not yet determined the best and proper method for it to raise funds for its own account so that it will have the ability of providing additional capital to the three subsidiaries mentioned nor has it determined whether the amounts above specified are sufficient and adequate. Such determinations are under consideration.

EXHIBIT D

4. *Any plans involving capital improvement programs of Bank.*

None

EXHIBIT E

1. *As of the date of the latest available midyear or year-end condition report, the number and amount of IPC deposits segregated by demand, savings, and time (each by size of account), similar to that furnished the FDIC for use in its latest Summary of Deposits. If available, the information for IPC demand deposits should be provided separately*

or business and household accounts. Separate data should e supplied for:

(a) *Each office of Bank and the total for Bank;*

This information was filed with original application and included figure as of June 29, 1968, which are the latest figures available as prepared for the FDIC. In addition, a statement was made in EXHIBIT D, Item 1. "In opinion of Greeley's management no significant change has occurred composition of deposits since June 30, 1968".

. As of the date of the latest midyear or year-end condition eport available the amount of Bank's:

(a) *Instalment loans to individuals for household, family, or other purposes, indicating the approximate amount originated by Bank and the purchased from others, segregated as to the amount purchased from vend located within and without Bank's service area;*

Amount originated by Bank=	$1,659,739.18
Amount purchased from others:	
Within Bank's service area=	437,651.80
Outside Bank's service area=	-0-
Total	$2,097,390.98

(b) *Residential mortgage loans, indicating the approximate amount orig by the Bank and the amount purchased from others, segregated as to sell located within and without Bank's service area;*

Originated by the Bank=	$1,713,280.44

No residential mortgage loans purchased from others.

EXHIBIT G

2. *The estimated proportions of:*

(a) *Bank's IPC demand, savings, and time deposits which originate in service area of each of Applicant's subsidiary banks, or of Applicant, is a bank:*

Bank's deposits originating within the Denver Standard Metropolitan St Area, that area con-

sidered to be the primary service area of First National are as follows: (See explanation on page G-4 of Application.)

Demand	162 accounts	$337,226.86
Time and Savings	183 accounts	446,052.22
Total	345 accounts	$783,279.08

(b) *Bank's commercial and industrial loans, farm loans, instalment loans, commercial mortgage loans, and residential mortgage loans which originate in the service area of each of Applicant's subsidiary banks, or of Applicant if it is a bank.*

Bank's loans originating within the Denver Standard Metropolitan Stastical Area, that area considered to be the primary service area of First National, are as follows: (See explanation on page G-5 of Application.)

Commercial and Industrial	4 loans	$276,284.40
Farm	2 loans	348,263.75
Residential Real Estate	1 loan	36,000.00
Commercial Real Estate	–0–	–0–
Consumer	59 loans	148,568.87
Total	66 loans	$809,117.02

4. *All offices of banks that are subsidiaries of the Applicant, and of Applicant if it is a bank; that compete with any office of Bank, indicating:*

(a) *Location;*

(b) *Approximate road miles (by the most accessible and traveled route) and direction each office listed is from the office of Bank;*

(c) *Whether Applicant, or any of Applicant's subsidiary banks, plans to change the location of, or to discontinue, any such office, giving the reasons therefor;*

(d) *Whether Applicant, or any of Applicant's subsidiary banks, has any application pending for, or has received approval for, establishment of one or more branches that will be competing within the service area of Bank;*

(e) *The approximate geographic limits of the service area of each competing banking office determined on the same basis as that used to determine the service area of Bank;*

(f) *The estimated proportions of IPC demand, time, and savings deposits of each competing office, originating in the service area of Bank;*

(g) *The estimated proportions of commercial and industrial loans, farm loans, instalment loans, commercial mortgage loans, and residential mortgage loans of each competing office originating in the service area of Bank;*

(h) *If Applicant has no subsidiary bank with an office competing in Bank's service area, give location of the office of the subsidiary bank that is closest to an office of Bank, together with the approximate road miles separating said offices.*

Applicant has no subsidiary bank competing in Greeley's Primary Service Area. Applicant's closest subsidiary to Greeley is The First National Bank of North Glenn, Colorado, whose only office is situated approximately 46 miles from the city of Greeley. First National, however, does have a real estate loan production office in the city of Greeley. (Please refer to EXHIBIT F.)

THE FIRST NATIONAL BANCORPORATION, INC.
P.O. BOX 5605 T.A.
DENVER, COLORADO 80217

September 8, 1969

Federal Reserve Bank of Kansas City
Federal Reserve Station
Kansas City, Missouri 64198

Gentlemen:

In connection with the application by The First National Bancorporation, Inc. to acquire 80% or more of the outstanding shares of The First National Bank of Greeley, I wish to certify that there was no material change in the financial condition of the Applicant between June 30, 1969, the date of the attached financial statement, and the date of the application, July 9, 1969.

Very truly yours,

/s/ Bruce D. Alexander
BRUCE D. ALEXANDER
Executive Vice President

BDA:SW
Attachment

The First National Bancorporation, Inc.

Balance Sheet, June 30, 1969

(Parent Company Only)

ASSETS

CURRENT ASSETS—Cash		$ 37,080
INVESTMENT IN STOCK OF SUBSIDIARY BANKS—Representing the Company's interest in the underlying net assets:	Percent Owned	
The First National Bank of Denver	99.65%	42,524,750
The First National Bank of Bear Valley	90.51%	528,700
The First National Bank of North Glenn	93.49%	475,100
The First National Bank of Southglenn	88.81%	329,680
OTHER—Stock issuance and organization expense (less amortization of $6,875)		177,420
TOTAL:		$44,072,760

LIABILITIES

CURRENT LIABILITIES—Accrued taxes		$ 8,660
NOTE PAYABLE—Due October 31, 1971, interest payable quarterly at prime rate		185,000
STOCKHOLDERS' EQUITY:		
Common stock, $10 par value: Authorized 3,500,000 shares; issued and outstanding, 1,488,585	$14,885,850	
Paid-in surplus	27,154,577	
Retained earnings	1,838,671	
Stockholders' equity		43,879,090
TOTAL:		$44,072,760

First National does have a number of deposit and loan accounts located within Greeley's Primary Service Area. These are more particularly delineated as follows: (as of July 31, 1969)

Deposits:		
(*) Demand	39 accounts	$1,109,805.28
Time and Savings	41 accounts	$ 107,151.39
Loans:		
Personal	28 loans	$2,051,115.00
(The majority of these loans were detailed in the original application as "CONFIDENTIAL" material.)		
Residential Real Estate	3 loans	$ 51,823.25
(*) Commercial Real Estate	1 loan	$ 289,553.00
(*) Commercial and Industrial	2 loans	$ 777,500.00
(*) Farm	18 loans	$4,370,713.00

* Three of First National's larger customers live within Greeley's Primary Service Area. They are (1) Monfort Feed Lots, Inc.; (2) Monfort Packing Company, and (3) Farr Farms Company. These companies are long time customers of First National and are engaged in either livestock feeding or livestock processing operations. The primary reason these accounts are handled directly by First National is that the Greeley banks have been unable to handle their extremely large financing requirements whose approved lines of credit are in excess of $20,000,000. Monfort's credit needs are constantly in eight-figure amounts, and Farr's needs are in seven-figure amounts throughout the year. In the items listed above, "Demand Deposits" associated with Monfort entities totaled $878,147.60; "Commercial Real Estate" is all attributable to Monfort; "Commercial and Industrial" loans to Monfort total $576,000.00; and in the "Farm" loan category, $1,918,500 is to Monfort and $1,513,000 is to Farr Farms Company. The remaining Farm loans are participations from various Greeley banks either because such lines exceed the legal limits of the banks involved, or the banks are short of lendable funds.

ANNUAL REPORT

The First National Bancorporation, Inc.

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To Our Shareholders:

On October 18, 1968 The First National Bancorporation, Inc., which was incorporated under the laws of Colorado on December 1, 1967, had acquired through exchange of stock, controlling interests in The First National Bank of Denver and its three affiliated banks. As of October 18, 1968, the Bancorporation owned 99.67% of The First National Bank of Denver, 89.44% of The First National Bank of Bear Valley, 92.91% of The First National Bank of North Glenn, and 88.60% of The First National Bank of Southglenn.

We are confident that the multiple advantages of membership in a registered bank holding company will accrue to our four subsidiary banks and to the former stockholders in these banks who exchanged their shares.

The principal advantages of such membership are: (a) the competitive strength of the holding company itself; (b) the ability of a subsidiary bank to retain its own identity and operate autonomously as compared with a merger into a larger bank; (c) the ability of the company to generate funds for capital expansion for subsidiary banks and to provide with its own funds banking quarters for such subsidiaries; (d) the facility of extending the 109 year banking experience of The First National Bank of Denver to the other subsidiary banks; and (e) a more ready market for shares owned by the stockholders as well as diversification of banking interests.

The policy of our company is to expand as rapidly and as wisely as possible through the acquisition of other banks in Colorado (preferably banks in those growth areas where Bancorporation may make the most significant contribution to Colorado's economy and concurrently generate the highest profits for its shareholders) and through other legally permissible investments and activities.

We believe that in 1969 legislation will be passed in Congress to place one-bank holding companies under the Bank Holding Company Act of 1956 and, at the same time, expand the types of related businesses which may be organized or acquired by registered bank holding companies. The Board of Governors of The Federal Reserve System in a printed statement of principles released February 20, 1969, said, "one-bank holding companies and multi-bank holding companies should be afforded equal treatment under the law

with respect to bank and non-bank acquisitions," and that "registered bank holding companies should be allowed to enter certain non-banking areas of activity, specified in statute or agency regulation, which would facilitate broader services for the public." We believe this to be a fair statement of principles and, dependent upon resulting legislation and consistent with our policies, will take advantage of each opportunity afforded us.

We are pleased that bank growth via the registered bank holding company route is becoming well accepted throughout Colorado as evidenced by the announcement of the proposed formation of three additional companies. Others, we know, are under consideration.

We sincerely appreciate the support of our shareholders and of the many officers and employees of the member banks. We earnestly solicit your continued support.

Sincerely,

/s/ Montgomery Dorsey,
MONTGOMERY DORSEY,
Chairman of the Board

/s/ Eugene H. Adams,
EUGENE H. ADAMS,
President

IE FIRST NATIONAL BANCORPORATION, INC.

THE FIRST NATIONAL BANCORPORATION, INC.

CONSOLIDATED BALANCE SHEET
(UNAUDITED)

	DECEMBER 31 1968	1967
RESOURCES		
Cash and Due from Banks	$159,938,538	$144,963,993
U.S. Government Obligations (Note 2)	64,734,869	62,139,171
Obligations of States and Political Subdivisions (Note 2)	42,519,033	42,345,054
Obligations of Federal Agencies (Note 2)	6,000,000	2,000,000
Other Securities (Note 2)	950,823	948,500
Federal Funds Sold	1,400,000	2,150,000
Loans, Less Reserve for Loan Losses (Note 3)	345,678,607	298,708,319
Bank Premises and Equipment, Less Accumulated Depreciation (Note 5)	15,531,552	15,879,629
Customers' Acceptance Liability	261,237	90,983
Income Earned, Uncollected	4,034,631	4,421,814
Other Assets	4,665,015	1,372,066
Total	$646,514,305	$575,019,529
LIABILITIES		
Deposits:		
(a) Demand	$338,841,139	$300,800,830
(b) Time	230,100,382	222,328,522
Total	568,941,521	523,129,352
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	21,614,607	-0-
Funds Borrowed	185,000	-0-
Mortgages Payable (Note 6)	5,384,092	5,808,852
Acceptances Outstanding	261,237	90,983
Income Collected, Unearned	1,924,524	1,656,938
Other Liabilities	5,321,719	4,154,353
Total	603,632,700	534,840,478
Minority Interests in Subsidiary Banks	283,512	267,078
Stockholders' Equity	42,598,093	39,911,973
Total	$646,514,305	$575,019,529

See Notes to Consolidated Financial Statements

DIRECTORS

*MONTGOMERY DORSEY
Chairman of the Board, The First National Bank of Denver

*EUGENE H. ADAMS
President, The First National Bank of Denver

*BRUCE D. ALEXANDER
Senior Vice President, The First National Bank of Denver

LEE C. ASHLEY
Senior Vice President and Cashier, The First National Bank of Denver

G. B. AYDELOTT
President, The Denver and Rio Grande Western Railroad Company

RICHARD P. BROWN
Senior Vice President and Executive Trust Officer, The First National Bank of Denver

EDWARD B. CLOSE, JR.
Partner, Hughes & Dorsey, Attorneys

JOHN EVANS, JR.
President, Evans Investment Company

†FREDERICK M. FARRAR
Chairman of the Board, The First National Bank of Pueblo, Pueblo, Colorado

W. COLES HUDGINS
Executive Vice President, Mountain States Telephone and Telegraph Company

SAMUEL T. JONES
Insurance, Pueblo, Colorado

JOHN M. KING
Chairman of the Board, King Resources Company

WILLIAM H. KISTLER
President, W. H. Kistler Stationery Company

DAVIS W. MOORE
Investments

J. SIMS NORMAN, M.D.
Physician, Pueblo, Colorado

GERALD H. PHIPPS
President, Gerald H. Phipps, Inc.

*DONALD E. PROVOST
President, Swanee-Paper Corporation

BARRY MOREY SULLIVAN
President, Morey Realty Company

*RUSSELL T. TUTT
President, El Paso Investment Company, Colorado Springs, Colorado

*WILLIAM M. WHITE, JR.
Chairman of the Board and President, Great Western United Corporation

ADVISORY DIRECTORS

JOSEPH B. BOYD
President, The First National Bank of Southglenn

RICHARD C. MECKLEY
President, The First National Bank of Bear Valley

WESLEY J. WATSON
Executive Vice President, The First National Bank of North Glenn

OFFICERS

MONTGOMERY DORSEY
Chairman of the Board

EUGENE H. ADAMS
President

BRUCE D. ALEXANDER
Executive Vice President

RICHARD S. FITZGERALD
Vice President

LEE C. ASHLEY
Treasurer

EDWARD B. CLOSE, JR.
Secretary

*Member Executive Committee †Resigned January 10, 1969

CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

	FOR THE YEARS ENDED DECEMBER 31	
OPERATING INCOME:	**1968**	**1967**
Interest and Fees on Loans	$ 21,877,146	$ 17,952,142
Interest and Dividends on:		
U.S. Government Obligations	2,996,846	2,501,824
Obligations of States and Political Subdivisions	1,518,674	1,327,869
Trust Department	5,104,779	4,147,618
Other	3,552,633	2,447,008
Total	$ 35,050,078	$ 28,376,461
OPERATING EXPENSES:		
Salaries and Bonuses	7,572,987	6,544,778
Pensions, Profit Sharing and Other Employee Benefits	869,467	1,112,435
Interest on Deposits	10,575,801	8,972,306
Interest on Borrowed Money	303,065	313,152
Net Occupancy – Bank Premises	914,816	825,483
Equipment Rentals, Depreciation, Maintenance	1,606,957	1,447,970
Other	4,178,473	2,023,553
Total	26,040,866	21,239,679
OPERATING INCOME BEFORE INCOME TAX	9,009,212	7,136,782
INCOME TAXES APPLICABLE TO OPERATING INCOME	4,186,468	2,881,246
NET OPERATING INCOME BEFORE MINORITY INTEREST	4,822,744	4,255,536
MINORITY INTEREST	33,033	24,780
NET OPERATING EARNINGS	4,789,711	4,230,756
NON-OPERATING ADDITIONS (DEDUCTIONS) NET OF RELATED INCOME TAXES OF: 1968, $438,319; 1967, $340,794:		
Provision for Loan Losses (Note 3)	$ (526,699)	$ (313,175)
Net Security Losses	(83,430)	(2,423)
Other-Net	16,103	(10,115)
Minority Interest in Non-Operating Items	7,120	3,067
Net Non-Operating Deductions	(386,906)	(322,646)
NET INCOME	$ 4,402,805	$ 3,908,110
PER SHARE OF COMMON STOCK:		
Net Operating Earnings	$3.22	$2.84
Net Income	$2.95	$2.63

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY
(UNAUDITED)

	DECEMBER 31	
	1968	**1967**
BALANCE, January 1	$ 39,911,973	$ 37,420,933
ADDITIONS – Consolidated Net Income	4,402,805	3,908,110
DEDUCTION – Cash Dividends Declared	(1,716,685)	(1,417,130)
BALANCE, December 31	$ 42,598,093	$ 39,911,973

See Notes to Consolidated Financial Statements

THE FIRST NATIONAL BANCORPORATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1968 (UNAUDITED)

1. PRINCIPLES OF CONSOLIDATION

The acquisition of the stock of the four subsidiary banks effective October 18, 1968 has been accounted for on a pooling of interests basis. The accompanying consolidated financial statements have been prepared to reflect the merger retroactively and include the accounts of the Parent Corporation and all subsidiaries. All intercompany transactions have been eliminated.

2. SECURITIES

Investment securities are included in the balance sheet at cost, adjusted for acretion of discount and amortization of premium. The market values on December 31, 1968 were: U.S. Government Obligations, $64,155,020; Obligations of States and political subdivisions, $41,639,302; Obligations of Federal agencies, $5,908,750; Other securities, $950,823.

3. RESERVE FOR LOAN LOSSES

The provision for loan losses transferred to the reserve is based on the deduction allowable for Federal income tax return purposes and is not based on actual loan loss experience. Following is a summary of the transactions in the reserve for loan losses:

	Year ended December 31, 1968	1967
Reserve balance, January 1	$3,556,945	$2,983,745
Transfer to reserve	683,000	640,700
Total	4,239,945	3,624,445
Loans charged off, net of recoveries	519,621	67,500
Reserve balance, December 31	$3,720,324	$3,556,945

4. PENSIONS

The subsidiary banks have a noncontributory pension plan covering all regular full-time employees. The total pension expense for 1968 was $261,000 which included no amount for past service costs. No specific funding or accounting method for past service costs has been adopted, and the amount charged to expense may vary from year to year. At December 31 the unfunded value of vested benefits was approximately $3,000,000.

5. BANK PREMISES AND EQUIPMENT

	Asset	Accumulated Depreciation
Balances at December 31, 1968:		
Land	$ 486,120	
Buildings and leasehold improvements	21,311,360	$7,142,098
Furniture and equipment	2,351,456	1,475,268
Total	$24,148,936	$8,617,366

The Companies provide for depreciation of buildings and leasehold improvements on a straight line basis over estimated useful lives varying from seven to fifty years and for depreciation of furniture and equipment on straight-line and accelerated bases over estimated useful lives varying from three to forty years. Depreciation expense for 1968 totaled $904,789.

6. MORTGAGES PAYABLE

Certain properties are assigned as collateral to mortgages payable. The mortgages bear interest at rates ranging from 4¾% to 6% and are payable $175,000 each quarter, including principal and interest.

7. INCOME TAXES

Income taxes are provided based on financial accounting income adjusted for nontaxable items, such as interest on obligations of States and political subdivisions. The current year's provision has been reduced by investment credits of $20,291 currently allowable on the Federal income tax return. There are no unused investment credits available to offset income taxes of future years.

BALANCE SHEET, DECEMBER 31, 1968
(PARENT COMPANY ONLY)

ASSETS		
CURRENT ASSETS – Cash		$ 44,723
INVESTMENT IN STOCK OF SUBSIDIARY BANKS – Representing the Company's interest in the underlying net assets:	Percent Owned	
The First National Bank of Denver	99.64%	41,290,114
The First National Bank of Bear Valley	89.44%	505,278
The First National Bank of North Glenn	92.91%	449,200
The First National Bank of Southglenn	88.60%	313,918
OTHER – Stock issuance and organization expense (less amortization of $2,292)		182,010
TOTAL		$42,785,243
LIABILITIES		
CURRENT LIABILITIES – Accrued interest and taxes		$ 2,150
NOTE PAYABLE – Due October 31, 1971, interest payable quarterly at prime rate		185,000
STOCKHOLDERS' EQUITY:		
Common stock, $10 par value: authorized, 3,500,000 shares; issued and outstanding, 1,488,585	$14,885,850	
Paid-in surplus	27,154,577	
Retained earnings	557,666	
Stockholders' equity		42,598,093
TOTAL		$42,785,243

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE PERIOD FROM OCTOBER 18, 1968 TO DECEMBER 31, 1968
(PARENT COMPANY ONLY)

INCOME FROM SUBSIDIARY BANKS:		
Cash dividends		$ 546,404
Equity in undistributed earnings since acquisition		530,233
Management and service fees		24,000
TOTAL		1,100,637
EXPENSES:		
Services purchased from The First National Bank of Denver	$6,891	
Directors' fees	2,500	
Association dues	2,341	
Amortization	2,292	
Interest	1,320	
Other	5,792	
TOTAL		$ 21,136
INCOME BEFORE INCOME TAXES		1,079,501
PROVISION FOR INCOME TAXES		830
NET INCOME		1,078,671
CASH DIVIDENDS PAID		521,005
RETAINED EARNINGS, DECEMBER 31, 1968		$ 557,666

NOTE: The Company began operations October 18, 1968 upon exchange of its stock for stock of the subsidiary banks.

Accountants' Opinion

Haskins & Sells
certified public accountants
818 Seventeenth Street
Denver 80202

Opinion of Independent Certified Public Accountants

To the Board of Directors and Shareholders of The First National Bancorporation, Inc.:

We have examined the balance sheet of The First National Bancorporation, Inc. (Parent Company only—a Colorado Corporation) as of December 31, 1968, and the related statement of income and retained earnings for the period from October 18, 1968 (date commenced operations) to December 31, 1968. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except that we have not examined the financial statements of the subsidiary banks.

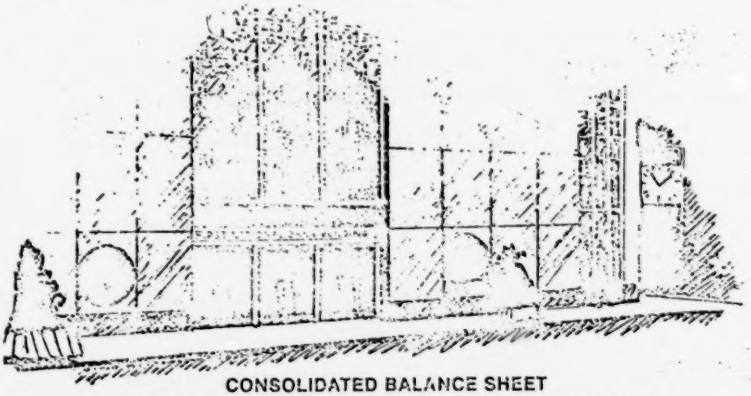
Inasmuch as we have not examined the financial statements of the subsidiary banks, and the Company's investment in these banks constitutes the major part of its assets and the source of the major part of its income, we are unable to express an opinion on the accompanying Parent Company only financial statements taken as a whole (nor does our opinion, expressed below, extend to amounts included in the financial statement captions entitled "Investment in stock of subsidiary banks" and "Equity in undistributed earnings since acquisition" or the effect of transactions therein on net income and retained earnings). However, in our opinion, the accompanying Parent Company only balance sheet presents fairly in all material respects the other assets and liabilities of the Company as of December 31, 1968, and the accompanying statement of income and retained earnings presents fairly in all material respects the other income

and expenses of the Company for the period from October 18, 1968 to December 31, 1968, in conformity with generally accepted accounting principles consistently applied.

Haskins & Sells

Denver, Colorado,
February 10, 1969

THE FIRST NATIONAL BANK OF DENVER



CONSOLIDATED BALANCE SHEET
FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	DECEMBER 31	
RESOURCES	**1968**	**1967**
Cash and Due from Banks	$157,768,234	$143,454,618
U.S. Government Obligations	61,037,105	58,567,338
Obligations of States and Political Subdivisions	41,417,073	42,084,102
Obligations of Federal Agencies	6,000,000	2,000,000
Other Securities	921,573	920,000
Federal Funds Sold	1,400,000	2,150,000
*Loans	332,703,778	289,284,822
Bank Premises and Equipment	15,059,918	15,456,957
Customers' Acceptance Liability	261,237	90,983
Income Earned, Uncollected	4,709,435	4,341,163
Other Assets	4,468,160	1,355,697
Total Resources	$625,750,513	$559,705,680
*After Deduction of Loan Reserve	$ 3,552,294	$ 3,483,669
LIABILITIES		
Deposits:		
(a) Demand	$330,634,483	$295,288,415
(b) Time	219,614,342	214,107,292
Total	550,248,825	509,395,707
Federal Funds Purchased and Securities Sold Under Agreement to Repurchase	21,614,607	- 0 -
Mortgages Payable	5,384,092	5,809,852
Acceptances Outstanding	261,237	90,983
Income Collected, Unearned	1,614,838	1,517,325
Other Liabilities	5,187,616	4,053,714
Total Liabilities	$584,311,215	$520,866,581
CAPITAL ACCOUNTS		
Equity Capital:		
Common Stock: 500,000 Shares Authorized and Outstanding, Total Par Value	$ 10,000,000	$ 10,000,000
Surplus	20,000,000	20,000,000
Undivided Profits	11,439,298	8,839,099
Total Capital Accounts	$ 41,439,298	$ 38,839,099
Total Liabilities and Capital	$625,750,513	$559,705,680

CONSOLIDATED STATEMENT OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	DECEMBER 31	
	1968	1967
OPERATING INCOME:		
Interest and Fees on Loans	$ 20,912,503	$ 17,204,522
Interest and Dividends on:		
U.S. Government Obligations	2,842,052	2,465,723
Obligations of States and Political Subdivisions	1,491,168	1,325,226
Service Charges on Deposit Accounts	857,445	829,146
Trust Department	5,104,779	4,147,618
Other	2,454,636	1,423,418
Total	33,662,583	27,395,653
OPERATING EXPENSES:		
Salaries and Bonuses	7,185,115	6,262,810
Pensions, Profit Sharing, and Other Employee Benefits	852,713	1,085,060
Interest on Deposits	10,122,960	8,662,381
Interest on Borrowed Money	301,709	313,152
Net Occupancy – Bank Premises	841,861	760,507
Equipment Rentals, Depreciation, Maintenance	1,568,645	1,418,419
Other	4,013,543	1,900,292
Total	24,889,546	20,402,621
OPERATING EARNINGS BEFORE INCOME TAX	8,773,037	6,993,032
INCOME TAXES APPLICABLE TO OPERATING EARNINGS	4,127,050	2,840,458
NET OPERATING EARNINGS	4,645,987	4,152,574
Per Share (500,000 Shares)	$9.29	$8.31
NON-OPERATING ADDITIONS – NET AFTER TAX EFFECT:		
(All sundry other items)	38,825	12,940
NON-OPERATING DEDUCTIONS – NET AFTER TAX EFFECT:		
Net Security Losses	83,430	2,423
Transfer to Reserve for Loan Losses	266,208	293,280
Other	19,975	22,987
Total Non-operating Deductions	369,613	318,690
NET NON-OPERATING ADDITIONS (DEDUCTIONS)	(330,788)	(305,750)
TRANSFERRED TO UNDIVIDED PROFITS	$ 4,315,199	$ 3,846,824
PER SHARE (500,000 Shares)	$8.63	$7.69

CONSOLIDATED RECONCILEMENT OF CAPITAL ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	1968	1967
BALANCE, BEGINNING OF YEAR	$ 38,839,099	$ 36,392,275
Additions – Transferred from Statement of Earnings	4,315,199	3,846,824
Deductions – Cash Dividends Declared (per Share*: 1968, $3.43; 1967, $2.80)	(1,715,000)	(1,400,000)
BALANCE, END OF YEAR	$ 41,439,298	$ 38,839,099

*500,000 Shares Outstanding

DIRECTORS

*EUGENE H. ADAMS
President

*G. B. AYDELOTT
President, The Denver and Rio Grande Western Railroad Company

SIDNEY L. BROCK, JR.
Retired Senior Vice President

*RICHARD P. BROWN
Senior Vice President and Executive Trust Officer

THEODORE D. BROWN
President, Security State Bank Sterling, Colorado

ROBERT L. CAMPBELL
Vice President, Safeway Stores, Inc.

CLARENCE J. DALY
President, Sky Companies

*MONTGOMERY DORSEY
Chairman of the Board

JOHN EVANS, JR.
President, Evans Investment Company

JOHN A. FERGUSON, JR.
President, Green Realty Corporation

*W. COLES HUDGINS
Executive Vice President, Southern States Telephone and Telegraph Company

FRANK A. KEMP
Retired Chairman of the Board, The Great Western Sugar Company

*JOHN M. KING
Chairman, King Resources Company

WILLIAM H. KIETLER
President, W. H. Kietler Stationery Company

DAVIS W. MOORE
Investments

HUDSON MOORE, JR.
President, Moore & Chapman Realty Company

AKSEL NIELSEN
President of the Board, Mortgage Investments Company

J. SIMS NORMAN, M.D.
President, Pueblo Colorado

GERALD H. PHIPPS
President, Gerald H. Phipps, Inc.

WALTER J. PRESCOVICH
President, Prescovich and Ward, Attorneys

DONALD E. PROVOST
President, Sierra Anglo Corporation

HAROLD F. SILVER
President, Silver Corporation

BARRY MOREY SULLIVAN
President, Morey Feeds Company

RUSSELL T. TUTT
President, Tutt Investment Company, Colorado Springs, Colorado

MAHLON T. WHITE
Southern Colorado Driver

HONORARY DIRECTORS

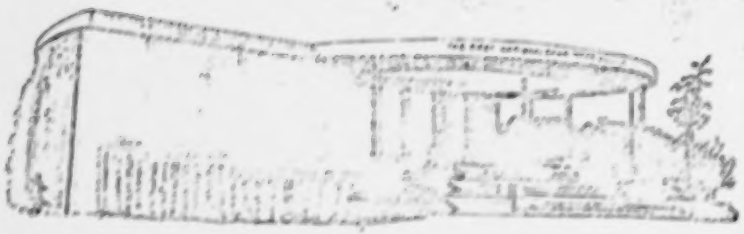
JOHN EVANS, SR.
Retired Honorary Chairman

W. C. KURTZ
President, Independent Lumber Company

JAMES A. WOODS
Farmer and Music, Attorneys

*Member Executive Committee

THE FIRST NATIONAL BANK OF BEAR VALLEY



CONSOLIDATED BALANCE SHEET

	DECEMBER 31	
RESOURCES	1958	1957
Cash and Due from Banks	$ 626,731	$ 636,825
U.S. Government Obligations	1,309,659	1,208,671
Obligations of States and Political Subdivisions	656,261	210,919
Federal Reserve Bank Stock	12,450	12,000
*Loans	5,739,860	4,162,607
Bank Premises and Equipment	297,144	295,615
Income Earned, Uncollected	93,595	37,166
Other Assets	4,237	679
Total Resources	$ 8,881,716	$ 6,555,634
*After Deduction of Loan Reserve	$ 86,193	$ 49,193
LIABILITIES		
Deposits	—	
(a) Demand	$ 3,480,496	$ 3,434,690
(b) Time	4,431,721	3,357,150
Total	$ 7,912,216	$ 5,691,840
Mortgages Payable	175,000	175,000
Income Collected, Unearned	155,575	55,021
Other Liabilities	54,030	40,515
Total Liabilities	$ 8,296,821	$ 5,962,376
CAPITAL ACCOUNTS		
Equity Capital:		
Common stock: 275,000 Shares Authorized and Outstanding, Total Par Value	275,000	275,000
Surplus	140,000	130,000
Undivided Profits	169,895	139,458
Total Capital Accounts	$ 584,895	$ 544,458
Total Liabilities and Capital	$ 8,881,716	$ 6,506,834

CONSOLIDATED STATEMENT OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	1968	1967
OPERATING INCOME:		
Interest and Fees on Loans	$ 398,206	$ 392,686
Interest and Dividends on:		
U.S. Government Obligations	65,813	12,749
Obligations of States and Political Subdivisions	16,643	1,851
Other	119,138	89,252
Total	$ 599,800	$ 496,340
OPERATING EXPENSES:		
Salaries and Bonuses	150,891	104,122
Pensions, Profit Sharing, and Other Employee Benefits	15,584	12,119
Interest on Deposits	178,509	118,485
Interest on Borrowed Money	8,786	8,750
Net Occupancy – Bank Premises	26,092	24,777
Equipment Rentals, Depreciation, Maintenance	15,705	11,280
Other	107,243	68,312
Total	$ 502,810	$ 347,845
OPERATING EARNINGS BEFORE INCOME TAX	90,990	58,492
INCOME TAXES APPLICABLE TO OPERATING EARNINGS	19,018	20,993
NET OPERATING EARNINGS	71,972	37,539
Per Share (275,000 Shares)	$.262	$.137
NON-OPERATING ADDITIONS – NET AFTER TAX EFFECT		
(All sundry other items)	42	
NON-OPERATING DEDUCTIONS – NET AFTER TAX EFFECT:		
Transfer to Reserve for Loan Losses	30,269	12,220
Other	712	143
Total Non-operating Deductions	$ 30,912	$ 12,363
NET NON-OPERATING ADDITIONS (DEDUCTIONS)	(30,870)	(12,363)
TRANSFERRED TO UNDIVIDED PROFITS	$ 41,102	$ 25,176
PER SHARE (275,000 Shares)	$.149	$.092

CONSOLIDATED RECONCILEMENT OF CAPITAL ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	1968	1967
BALANCE, BEGINNING OF YEAR	$ 544,458	$ 533,032
Additions – Transferred from Statement of Earnings	41,102	25,176
Deductions – Cash Dividends Declared (per Share*):		
1968, $.075; 1967, $.05)	(20,625)	(13,750)
BALANCE, END OF YEAR	$ 564,935	$ 544,458

*275,000 Shares Outstanding

DIRECTORS

*EUGENE H. ADAMS
Chairman of the Board

BRUCE D. ALEXANDER
Senior Vice President, The First National Bank of Dallas

ALEE C. ASHLEY
Senior Vice President and Counsel, The First National Bank of Dallas

CLAIR A. BACON
Senior Vice President, The First National Bank of Dallas

ROBERT D. BINDER
Vice President

ROBERT G. BOUCHER
Vice President, The First National Bank of Dallas

EDWARD B. CLOSE, JR.
Partner, Hughes & Dorsey, Attorneys

RICHARD C. MECKLEY
President

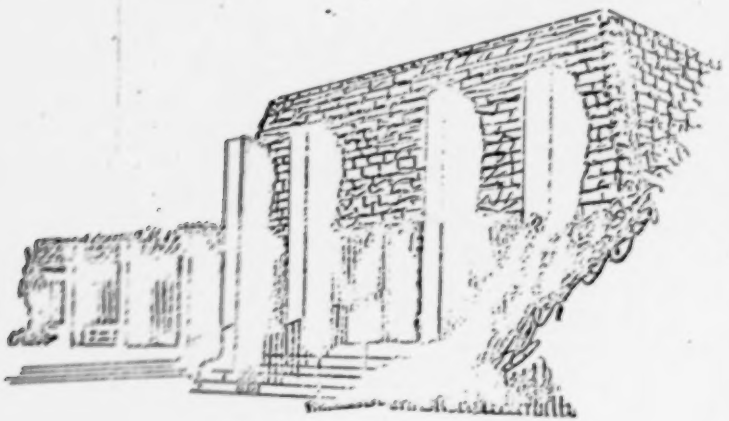
G. M. MULLIN
Secretary-Treasurer, Mullin-Kson Homes, Inc.

JACK M. MUSE
Assistant Vice President, The First National Bank of Dallas

THOMAS P. O'ROURKE
Vice President, The First National Bank of Dallas

*Resigned February 21, 1969 (Elected Chairman of the Board February 21, 1969

THE FIRST NATIONAL BANK OF NORTH GLEN



BALANCE SHEET

	DECEMBER 31 1958	1957
RESOURCES		
Cash and Due from Banks	$ 800,523	$ 567,325
U.S. Government Obligations	1,223,124	1,335,227
Obligations of States and Political Subdivisions	445,679	50,033
Federal Reserve Bank Stock	10,050	9,750
*Loans	4,937,011	3,646,233
Bank Premises and Equipment	155,969	109,113
Income Earned, Uncollected	49,046	27,563
Other Assets	4,691	2,731
Total Resources	$ 7,626,123	$ 5,749,975
*After Deduction of Loan Reserve	$ 54,199	$ 30,379
LIABILITIES		
Deposits:		
(a) Demand	$ 3,091,416	$ 1,973,382
(b) Time	3,878,074	3,220,617
Total	6,969,490	5,193,999
Income Collected, Unearned	120,370	61,327
Other Liabilities	52,783	41,298
Total Liabilities	$ 7,142,643	$ 5,296,624
CAPITAL ACCOUNTS		
Equity Capital		
Common Stock: 212,500 Shares Authorized and Outstanding, Total Par Value	$ 212,500	$ 212,500
Surplus	122,500	117,500
Undivided Profits	148,480	123,351
Total Capital Accounts	$ 483,480	$ 453,351
Total Liabilities and Capital	$ 7,626,123	$ 5,749,975

STATEMENT OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	1968	1967
OPERATING INCOME:		
Interest and Fees on Loans	$ 357,100	$ 299,000
Interest and Dividends on:		
U.S. Government Obligations	75,983	12,921
Obligations of States and Political Subdivisions	10,863	585
Other	150,299	123,515
Total	$ 594,245	$ 436,021
OPERATING EXPENSES:		
Salaries and Bonuses	156,125	126,768
Pensions, Profit Sharing, and Other Employee Benefits	13,866	12,294
Interest on Deposits	184,088	125,636
Net Occupancy – Bank Premises	32,692	26,966
Equipment Rentals, Depreciation, Maintenance	13,309	11,329
Other	99,963	82,078
Total	$ 500,041	$ 385,071
OPERATING EARNINGS BEFORE INCOME TAX	94,204	50,950
INCOME TAXES APPLICABLE TO OPERATING EARNINGS	24,455	19,368
NET OPERATING EARNINGS	69,749	31,582
Per Share (212,500 Shares)	$.328	$.148
NON-OPERATING ADDITIONS – NET AFTER TAX EFFECT (all sundry other items)	162	
NON-OPERATING DEDUCTIONS – NET AFTER TAX EFFECT:		
Transfer to Reserve for Loan Losses	21,375	4,742
Other	2,469	
Total Non-operating Deductions	$ 23,844	$ (4,742)
NET NON-OPERATING ADDITIONS (DEDUCTIONS)	(23,682)	(4,742)
EARNINGS BEFORE EXTRAORDINARY ITEM	46,067	26,840
EXTRAORDINARY ITEM:		
Income Tax Credit Resulting from Operating Loss Carryovers		5,335
TRANSFERRED TO UNDIVIDED PROFITS	$ 46,067	$ 32,175
PER SHARE (212,500 Shares)	$.217	$.151

RECONCILEMENT OF CAPITAL ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	1968	1967
BALANCE, BEGINNING OF YEAR	$ 453,351	$ 431,801
Additions – Transferred from Statement of Earnings	46,067	32,175
Deductions – Cash Dividends Declared (Per Share*: 1968, $.075; 1967, $.05)	(15,938)	(10,625)
BALANCE, END OF YEAR	$ 483,480	$ 453,351

*212,500 Shares Outstanding

DIRECTORS

*EUGENE H. ADAMS
Chairman of the Board

BRUCE D. ALEXANDER
Senior Vice President, The First National Bank of Denver

RAYMOND B. DANKS
Partner, Hughes & Dorsey, Attorneys

DONALD FERGUSON
Secretary, Stapleton Realty Corporation

GLENN R. HAEFLIGER
Vice President

CLARENCE LILLER, JR.
Senior Vice President, The First National Bank of Denver

JORDON PERLMUTTER
Vice President, Perlmutter Homes, Inc.

ROGER W. SMITH, JR.
President, Smith Title of Adams County

HAROLD C. STILLMAN, JR.
President, Western Paving Construction Company

CARROL L. STUBBS
Senior Vice President, The First National Bank of Denver

WESLEY J. WATSON
Executive Vice President

*Resigned February 19, 1969

†Elected Chairman of the Board, February 19, 1969

HE FIRST NATIONAL BANK OF SOUTHGLENN

BALANCE SHEET

OURCES	DECEMBER 31 1968	19
and Due from Banks	$ 541,050	$ 3
Government Obligations	1,204,982	1,0
al Reserve Bank Stock	6,750	
Premises and Equipment	2,468,158	1,8
e Earned, Uncollected	18,491	1
Assets	23,555	1
Total Resources	- 5,917	
	$ 4,268,993	$ 3,2
Deduction of Loan Reserve	$ 25,728	$ 1
LITIES		
its:		
Demand	$ 1,679,468	$ 1,1
Time	2,176,245	1,7
Total	3,855,713	2,8
Collected, Unearned	33,741	2
Liabilities	25,140	1
Total Liabilities	$ 3,914,594	$ 2,2
AL ACCOUNTS		
Capital		
on Stock 250,000 Shares Authorized and		
Standing, Total Par Value	125,000	12
	100,000	10
ed Profits	129,399	10
Total Capital Accounts	$ 354,399	$ 3
Total Liabilities and Capital	$ 4,268,993	$ 3,2

STATEMENT OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1968 and 1967

	1968	1967
OPERATING INCOME:		
Interest and Fees on Loans	$ 218,087	$ 153,990
Interest and Dividends on:		
U.S. Government Obligations	17,998	10,836
Other	64,903	50,330
Total	300,988	215,156
OPERATING EXPENSES:		
Salaries and Bonuses	77,156	51,078
Pensions, Profit Sharing, and Other Employee Benefits	7,304	2,962
Interest on Deposits	90,246	65,606
Net Occupancy – Bank Premises	14,171	13,233
Equipment Rentals, Depreciation, Maintenance	9,298	6,939
Other	54,696	40,830
Total	$ 252,871	$ 180,648
OPERATING EARNINGS BEFORE INCOME TAX	48,117	34,308
INCOME TAXES APPLICABLE TO OPERATING EARNINGS	15,115	8,430
NET OPERATING EARNINGS	33,002	25,878
Per Share (250,000 Shares)	$.132	$.104
NON-OPERATING ADDITIONS – NET AFTER TAX EFFECT		
(All sundry other items)	519	84
NON-OPERATING DEDUCTIONS – NET AFTER TAX EFFECT:		
Transfer to Reserve for Loan Losses	8,916	2,933
Other	289	10
Total Non-operating Deductions	9,205	2,943
NET NON-OPERATING ADDITIONS (DEDUCTIONS)	(8,686)	(2,859)
EARNINGS BEFORE EXTRAORDINARY ITEM	24,316	23,019
EXTRAORDINARY ITEM		
Income Tax Credit Resulting from Operating Loss Carryovers		2,628
TRANSFERRED TO UNDIVIDED PROFITS	$ 24,316	$ 25,647
PER SHARE (250,000 Shares)	$.097	$.103

RECONCILEMENT OF CAPITAL ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1968 and 1967

	1968	1967
BALANCE, BEGINNING OF YEAR	$ 329,993	$ 304,346
Additions – Transferred from Statement of Earnings	24,316	25,647
BALANCE, END OF YEAR	$ 354,309	$ 329,993

DIRECTORS

EUGENE H. ADAMS
Chairman of the Board

LEE C. ASHLEY
Senior Vice President and Cashier, The First National Bank of Denver

JOSEPH B. BOYD
President

FRANK P. GARDINER
Senior Vice President, The First National Bank of Denver

GEORGE C. GIBSON
Partner, Hughes & Dorsey, Attorneys

ROBERT M. O'DONNELL
President, Harman, O'Donnell & Honeycutt Associates, Inc.

JORDON PERLMUTTER
Vice President, Perl-Mack Homes, Inc.

CARROL L. STUBBS
Senior Vice President, The First National Bank of Denver

J. RODNEY UHRICH
Vice President, The First National Bank of Denver

GEORGE M. WILFLEY
President, A. R. Wilfley & Sons, Inc.

BUILDING BETTER BANKING FOR COLORADO

Comptroller of the Currency
Treasury Department

Charter No. 3173

CONSOLIDATED

REPORT OF CONDITION

(Including Domestic Subsidiaries)

Call No. 469

Any amounts which cannot be properly included in the printed items must be entered under "Other Assets" or "Other Liabilities"

THE FIRST NATIONAL BANK OF GREELEY, Post Office Box 1053
(Name of bank) (Street address or P.O. Box)

GREELEY, WELD, COLORADO, 80631
(City or Town) (County) (State) (Zip Code)

at the close of business on April 30, 1969

ASSETS	Dollars			Cts.	
1. Cash and due from banks (including $ None unposted debits)	6	200	183	95	1
2. U.S. Treasury securities	4	112	197	89	2
3. Securities of other U.S. Government agencies and corporations			None		3
4. Obligations of States and political subdivisions	6	912	546	24	4
5. Other securities		99	000	00	5
6. Trading account securities			None		6
7. Federal funds sold and securities purchased under agreements to resell			None		7
8. Loans	25	210	539	99	
9. Bank premises, furniture and fixtures, and other assets representing bank premises	1	411	512	42	
10. Real estate owned other than bank premises		167	765	32	
11. Investments in subsidiaries not consolidated			None		
12. Customers' liability to this bank on acceptances outstanding			None		
13. Other assets (including $ None direct lease financing)		206	201	02	
14. TOTAL ASSETS	44	521	446	35	

LIABILITIES	Dollars			Cts.	
15. Demand deposits of individuals, partnerships, and corporations	10	934	340	23	
16. Time and savings deposits of individuals, partnerships, and corporations	20	535	507	24	
17. Deposits of United States Government		225	579	41	
18. Deposits of States and political subdivisions	5	826	588	51	
19. Deposits of foreign governments and official institutions			None		
20. Deposits of commercial banks		210	539	21	20
21. Certified and officers' checks, etc.		275	511	27	21
22. TOTAL DEPOSITS (Items 15 through 21) $27,677,754.59					22
(a) Total demand deposits (Schedule E, item 11) $14,393,048.34	(Amounts not to be extended)				(a)
(b) Total time and savings deposits (Schedule F, item 12) $22,571,706.24					(b)
23. Federal funds purchased and securities sold under agreements to repurchase			None		23
24. Liabilities for borrowed money		900	000	00	24
25. Mortgage indebtedness			None		25
26. Acceptances executed by or for account of this bank and outstanding			None		26
27. Other liabilities		425	000	00	27
28. TOTAL LIABILITIES	22	123	754	59	28
29. MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES			None		29

RESERVES ON LOANS AND SECURITIES	Dollars			Cts.	
30. Reserve for bad debt losses on loans (set up pursuant to IRS rulings)		500	000	00	30
31. Other reserves on loans			None		31
32. Reserves on securities			None		32
33. TOTAL RESERVES ON LOANS AND SECURITIES		500	000	00	33

CAPITAL ACCOUNTS	Dollars			Cts.	
34. Capital notes and debentures			None		34
35. Equity capital, total (sum of items 36 to 40 below)	4	905	000	00	35
36. Preferred stock, total par value (No. shares outstanding None)			None		36
37. Common stock, total par value (No. shares authorized 150,000) (No. shares outstanding 150,000)	1	500	000	00	37
38. Surplus	1	500	000	00	38
39. Undivided profits	1	905	000	00	39
40. Reserve for contingencies and other capital reserves			None		40
41. TOTAL CAPITAL ACCOUNTS (sum of items 34 and 35 above)	4	905	000	00	41
42. TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS (sum of items 28, 29, 33, & 41 above)	44	521	446	35	42

MEMORANDA	Dollars			Cts.	
1. Average of total deposits for the 15 calendar days ending with call date	33	200	000	00	1
2. Average of total loans for the 15 calendar days ending with call date	33	200	000	00	2
3. Unearned discount on instalment loans included in total capital accounts			None		3

NOTE: This report must be signed by an authorized officer, attested by not less than three directors other than the officer signing the report and forwarded within ten days after receipt of call. The Comptroller of the Currency must be promptly notified if publication has not been made within the time specified.

Vice President & Controller
I, Alexandro M. Gallardo, Jr.
(Name and title of officer authorized to sign report)
of the above named bank do hereby declare that this report of condition is true and correct to the best of my knowledge and belief.

(Signature of officer authorized to sign report)

We, the undersigned directors attest the correctness of this report of condition, including the information on the reverse side hereof. We declare that it has been examined by us, to the best of our knowledge and belief is true and correct, and that it has been or will be published in the manner prescribed by Section 1211 U.S.R.S. (12, U.S.C., sec. 161), within ten days after the date of receipt of the call for report of condition or as otherwise provided by the Comptroller of the Currency.

EXHIBIT B-1

SCHEDULE D—CASH, BALANCES WITH OTHER BANKS, AND CASH ITEMS IN PROCESS OF COLLECTION

1. Cash items in process of collection and unposted debits drawn on the reporting bank total (Bank electing to report subitems (a) and (b), or (a) and (c)—see Instructions)	2	326	117	52	1
(a) Cash items in process of collection including exchanges for clearing house (Item 1 less subitem (b) or (c)) $ ---	xxx	xxx	xxx	xx	(a)
(b) Actual amount of all unposted credits or single factor --- % of Item 22 $ ---	xxx	xxx	xxx	xx	(b)
(c) Separate amount of unposted debits or separate factors:					
(1) Actual amount for Demand Deposits or --- % of Item 11, Schedule E $ ---	xxx	xxx	xxx	xx	(c-1)
(2) Actual amount for Time and Savings Deposits or --- % of Item 12, Schedule F $ ---	xxx	xxx	xxx	xx	(c-2)

SCHEDULE E—DEMAND DEPOSITS

TOTAL DEMAND DEPOSITS (must agree with Item 22 (a) "Liabilities")	14	306	[illegible]	[illegible]	11

SCHEDULE F—TIME AND SAVINGS DEPOSITS

Deposits accumulated for payment of personal loans			None		2
TOTAL TIME AND SAVINGS DEPOSITS (must agree with Item 22 (b) of "Liabilities")	23	571	705	24	12

SCHEDULE FDI—OTHER DATA FOR DEPOSIT INSURANCE ASSESSMENTS

Uninvested trust funds (cash) held in bank's own trust department			None		1
Unposted credits					
(a) Actual amount of all unposted credits or single factor --- % of Item 22	xxx	xxx	xxx	xx	2
			None		(a)
OR					
(b) Separate amount of unposted credits or separate factors:					
(1) Actual amount for Demand Deposits or --- % of Item 11, Schedule E			None		(b-1)
(2) Actual amount for Time and Savings Deposits or --- % of Item 12, Schedule F			None		(b-2)

MEMORANDA

Time certificates of deposit/outstanding (exclude those secured by pledged assets)	xxx	xxx	xxx	xx	1
(a) Total dollar amount in denominations of $100,000 or more		[illegible]	[illegible]	[illegible]	(a)
(b) Total dollar amount in denominations of less than $100,000	3	735	[illegible]	[illegible]	(b)

BOOK COPY

THE COMPTROLLER OF THE CURRENCY • UNITED STATES TREASURY

Call No. 468

Charter No. 3078

REPORT OF CONDITION of The First National Bank of Gilcrest (Name of bank) P.O. Box 10 (Street address or P.O. box)

Gilcrest (City or town) Weld (County) Colorado (State) 80 (Zip code)

At the close of business on December 31, 1938

PLEASE FOLD WITH CARE

ASSETS	Dollars	Cts.	
1. Cash, balances with other banks, and cash items in process of collection (Schedule D, Item 7)	4 257	106	72	1
2. United States Government obligations	4 113	107	90	2
3. Obligations of States and political subdivisions	7 076	685	69	3
4. Securities of Federal agencies and corporations		-0-		4
5. Other Securities		90	000	00	5
6. Federal funds sold and Securities purchased under agreements to resell		-0-		6
7. Loans and discounts (Schedule A, Item 10)	38 2 14	711	52	+ 7
8. Bank premises, furniture and fixtures, and other assets representing bank premises	9 45	216	94	8
9. Real estate owned other than bank premises	93	950	32	9
10. Customers' liability to this bank on acceptances outstanding		-0-		10
11. Other assets (Schedule H, item 6), including $ -0- direct lease financing	337	697	45	✓ 11
12. TOTAL ASSETS	42	728	206	87	✓ 12

LIABILITIES				
13. Demand deposits of individuals, partnerships, and corporations (Schedule E, item 4)	12	612	821	09	O 13
14. Time and savings deposits of individuals, partnerships, and corporations (Schedule F, item 6)	20	383	549	05	O 14
15. Deposits of U.S. Government (Schedule E, item 5, and Schedule F, item 7)		276	846	40	15
16. Deposits of States and political subdivisions (Schedule E, item 6, and Schedule F, item 8)	3	222	718	33	16
17. Deposits of foreign governments and official institutions, central banks and international institutions (Schedule E, item 7 and Schedule F, item 9)		-0-		17
18. Deposits of commercial banks (Schedule E, items 8 and 9, and Schedule F, items 10 and 11)		279	087	15	18
19. Certified and officers' checks, etc. (Schedule E, item 10)		267	974	47	19
20. TOTAL DEPOSITS (items 13 to 19) $ 36,902,596.49 ✓					20
(a) Total demand deposits (Schedule E, item 11) $ 19,673,313.13 ✓ (Amounts not to be extended.)					(a)
(b) Total time and savings deposits (Schedule F, item 12) $ 23,669,973.36 ✓					(b)
21. Federal funds purchased and securities sold under agreements to repurchase	1	000	000	00	21
22. Liabilities for borrowed money		-0-		22
23. Acceptances executed by or for account of this bank and outstanding		-0-		23
24. Other liabilities (Schedule I, item 7), including $ -0- mortgages and other liens on bank premises and other real estate		368	472	77	24
25. TOTAL LIABILITIES	38	301	269	76	25

CAPITAL ACCOUNTS				
26. (a) Capital notes and debentures		-0-		26(a)
(b) Preferred stock—total par value -0-		-0-		(b)
No. shares outstanding -0-				
(c) Common stock—total par value		500	00	(c)
No. shares authorized 150 000				
No. shares outstanding 150 000				
27. Surplus	1	500	00	27
28. Undivided profits	1	426	37	3	— 28
29. Reserves		-0-		29
30. TOTAL CAPITAL ACCOUNTS	4	426	937	31	✓ 30
31. TOTAL LIABILITIES AND CAPITAL ACCOUNTS	42	728	206	87	✓ 31

I, Alexander Murray Gillespie, Vice President & Cashier (Name and title of officer authorized to sign report) of the above-named bank do hereby declare that this report of condition, including the information below and on the reverse side hereof, is true and correct to the best of my knowledge and belief.

(Signature of officer authorized to sign report)

We, the undersigned directors attest the correctness of this report of condition, including the information below and on the reverse side hereof. We declare that it has been examined by us, to the best of our knowledge and belief is true and correct, and that it has been or will be published in the manner prescribed by Section 5211 U.S.R.S., (12, U.S.C., sec. 161), within fifteen days from the date of receipt of the call for report of condition by the Comptroller of the Currency.

NOTE: This report must be signed by an authorized officer, attested by not less than three directors other than the officer signing the report and forwarded within ten days after receipt of call. The Comptroller of the Currency must be promptly notified if publication has not been made within the time specified.

Directors.

SCHEDULE H—OTHER ASSETS

1. Securities borrowed	$	-0-	00	1
2. Income earned or accrued but not collected	336	815	31	2
3. Insurance and other expenses prepaid		881	14	3
4. Cash items not in process of collection		-0-	00	4
5. All other (Itemize) Expenses paid on leases $ 1 137 97 Mortgage Engineering $ 2 330 01 Income on Treasury notes $ -0- Prepaid Int. on Bonds $ -0-				5
6. Total (same with Item 11 of "Assets")	337	697	45	6

SCHEDULE I—OTHER LIABILITIES

1. Securities borrowed	$	-0-	00	1
2. Dividends declared but not yet payable		-0-	00	2
3. Income collected but not earned	271	930	56	3
4. Expenses accrued and unpaid	93	902	21	4
5. Amounts due Federal Reserve Bank and other banks (transit account)		-0-	00	5
6. All other (Itemize)		-0-	00	6
7. Total (same with Item 24 of "Liabilities")	365	832	77	7

SCHEDULE FDI—OTHER DATA FOR DEPOSIT INSURANCE ASSESSMENTS

1. Uninvested trust funds (cash) held in bank's own trust department		-0-	00	1
2. Deposits credits:				
(a) Actual amount of all deposit credits or single factor — % of Item 20 OR	999	999	999	99	2
(b) Separate amount of deposit credits or separate factors:				(a)
(1) Actual amount for Demand Deposits or % of item 11, Schedule E				(b-1)
(2) Actual amount for Time and Savings Deposits or % of item 12, Schedule F				(b-2)

SCHEDULE A—LOANS AND DISCOUNTS
(including rediscounts and overdrafts)

	DOLLARS	CTS.	
1. Real estate loans (*include* only loans secured primarily by real estate):	XXX XXX XXX	XX	1
(a) Secured by farm land (including improvements)	951 [illegible]	23	(a)
(b) Secured by residential properties (other than farm) and insured by Federal Housing Administration	23 477	[illegible]	(b)
(c) Secured by residential properties (other than farm) and guaranteed by Veterans' Administration	53 439	30	(c)
(d) Secured by residential properties (other than farm) and not insured or guaranteed by FHA or VA	1 636 363	68	(d)
(e) Secured by nonfarm, nonresidential properties (e.g., business, industrial, hotels, office buildings, churches)	2 154 875	80	(e)
2. Loans to financial institutions:	XXX XXX XXX	XX	2
(a) To domestic commercial and foreign banks			(a)
(b) To other financial institutions (include loans to sales finance, personal finance, insurance and mortgage cos., factors, mutual savings banks, savings and loan assoc., Federal lending agencies, and all other business and personal credit agencies)	703 [illegible] 70	46	(b)
3. Loans for purchasing or carrying securities (secured or unsecured):	XXX XXX XXX	XX	3
(a) To brokers and dealers in securities	[illegible]		(a)
(b) Other loans for the purpose of purchasing or carrying stocks, bonds, and other securities	[illegible]		(b)
4. Loans to farmers (secured and unsecured except loans secured by real estate above, but including loans for household and personal expenditures)	10 225 038	87	4
5. Commercial and industrial loans (include all loans for commercial and industrial purposes, secured or unsecured, except those secured by real estate above)	6 454 918	73	5
6. Loans to individuals for personal expenditures:	XXX XXX XXX	XX	6
(a) Loans to purchase private passenger automobiles on installment basis (include purchased paper)	1 503 773	81	(a)
(b) Credit cards and related plans: (1) Retail (charge account) credit card plans	[illegible]		(6)(1)
(2) Check credit and revolving credit plans	[illegible]		(6)(2)
(c) Loans to purchase other retail consumer goods on installment basis (include purchased paper—*exclude* credit card plans)	[illegible]		(c)
(d) Installment loans to repair and modernize residential property	169 [illegible]	91	(d)
(e) Other installment loans for household, family, and other personal expenditures (exclude credit plans)	[illegible]		(e)
(f) Single-payment loans for household, family, and other personal expenditures	1 147 [illegible]	79	(f)
7. All other loans (incl. overdrafts) (To churches, hospitals, charitable or educational institutions, etc., not secured by real estate above)	[illegible]		7
8. Loans and Discounts, Gross (total of items 1 to 7)	28 717 [illegible]	91	8
9. Less reserve for bad debts, unallocated charge-offs, and other valuation reserves	502 [illegible]	19	9
10. Loans and Discounts, Net (item 8 minus item 9) (must agree with item 7, of "Assets")	28 [illegible]	[illegible]	10

SCHEDULE D—CASH, BALANCES WITH OTHER BANKS, AND CASH ITEMS IN PROCESS OF COLLECTION

1. Cash items in process of collection and unposted debits drawn on the reporting bank—total (Banks electing to report subitems (a) and (b), or (a) and (c)—see Instructions)	720 [illegible]	46	1
(a) Cash items in process of collection including exchanges for clearing house (item 1 less subitem (b) or (c))	$ 720 [illegible]		(a)
(b) Actual amount of all unposted debits or single factor — % of item 20	$ —		(b)
(c) Separate amount of unposted debits or separate factors			(c)
(1) Actual amount for Demand Deposits of — % of item 11, Schedule F	$ —		(c-1)
(2) Actual amount for Time and Savings Deposits of — % of item 12, Schedule F	$ —		(c-2)
2. Demand balances with banks in the United States	[illegible]		2
3. Other balances with banks in the United States (including all balances with American branches of foreign banks)	[illegible]		3
4. Balances with banks in foreign countries (including balances with foreign branches of other American banks)	[illegible]		4
5. Currency and coin	[illegible]		5
6. Reserve with Federal Reserve Bank	[illegible]		6
7. Total of items 3 to 6 (must agree with item 1 of "Assets")	[illegible]		7

SCHEDULE E—DEMAND DEPOSITS

1. Deposits of mutual savings banks	[illegible]		1
2. Deposits of savings and loan associations	[illegible]		2
3. Deposits of other individuals, partnerships, and corporations	12 502 [illegible]	25	3
4. Total of items 1, 2, and 3 (must agree with item 13 of "Liabilities")	12 [illegible]	[illegible]	4
5. Deposits of United States Government	[illegible]		5
6. Deposits of States and political subdivisions	[illegible]		6
7. Deposits of foreign governments and official institutions, central banks and international institutions	[illegible]		7
8. Deposits of commercial banks in the U. S.	[illegible]		8
9. Deposits of banks in foreign countries (including balances of foreign branches of other American banks)	[illegible]		9
10. Certified and officers' checks, travelers' checks, letters of credit, etc. (must agree with item 19 of "Liabilities")	[illegible]		10
11. Total Demand Deposits (items 1 to 10) (must agree with item 20(a) of "Liabilities")	[illegible]		11

SCHEDULE F—TIME AND SAVINGS DEPOSITS

1. Savings deposits	10 [illegible]		1
2. Deposits accumulated for payment of personal loans	[illegible]		2
3. Deposits of mutual savings banks	[illegible]		3
4. Deposits of savings and loan associations	[illegible]		4
5. Other time deposits of individuals, partnerships, and corporations	[illegible]		5
6. Total of items 1 to 5 (must agree with item 14 of "Liabilities")	20 [illegible]		6
7. Deposits of United States Government	[illegible]		7
8. Deposits of States and political subdivisions	[illegible]		8
9. Deposits of foreign governments and official institutions, central banks and international institutions	[illegible]		9
10. Deposits of commercial banks in the United States	[illegible]		10
11. Deposits of banks in foreign countries (including balances of foreign branches of other American banks)	[illegible]		11
12. Total Time and Savings Deposits (items 6 to 11) (must agree with item 20(b) of "Liabilities")	[illegible]		12

MEMORANDA (Publication required only for items 1 and 2—optional for items 3 and 4)

1. Average of total deposits for the 15 calendar days ending with call date	35 [illegible]		1
2. Average of total loans for the 15 calendar days ending with call date	28 [illegible]		2
3. Valuation reserves (deducted from loans shown on asset item 7	[illegible]		3
4. Valuation reserves (deducted from total securities shown on asset items 2 through 5	[illegible]		4
5. Item 6 of "A[illegible]" reflects Federal funds sales transactions and securities purchased under resale agreements [illegible]:	XXX XXX XXX	XX	5
(a) Commercial banks	[illegible]		(a)
(b) Brokers and dealers in securities	[illegible]		(b)
(c) Others	[illegible]		(c)
6. Time certificates of deposit outstanding (exclude those secured by pledged assets):	XXX XXX XXX	XX	6
(a) Total dollar amount in denominations of $100,000 or more	[illegible]		(a)
(b) Total dollar amount in denominations of less than $100,000	[illegible]		(b)

Form 5129
TREASURY DEPARTMENT
COMPTROLLER OF THE CURRENCY—STATISTICAL
(Revised September 1967)

REPORT OF INCOME AND DIVIDENDS
FOR THE YEAR ENDED DEC. 31, 1967

N. B. Region No. 10
F. R. Dist. No. 12
Charter No. 3178
Tot. Deposits 12/31:
$36,942,596.49

PLEASE FOLD THIS SIDE OUT

THE FIRST NATIONAL BANK OF GREELEY (Name of bank) P. O. Box 1058 (Street address or P.O. Box)
GREELEY (City or town) WELD (County) COLORADO (State) 80631 (ZIP Code No.)

Section A—SOURCES AND DISPOSITION OF INCOME		DOLLARS	CTS.	
1. CURRENT OPERATING REVENUE:				
(a) Interest and dividends on: (1) U.S. Government obligations		220 184	93	
(2) Other securities		235 872	00	
(b) Interest and discount on loans	1	770 223	46	
(c) Service charges and other fees on bank's loans		6 191	44	
(d) Service charges on deposit accounts		125 468	37	
(e) Other service charges, commissions, fees, and collection and exchange charges		7 300	88	
(f) Trust department		61 270	71	
(g) Other current operating revenue (itemize large amounts) Abattoir €5,506.50 No other item over 25%		113 213	23	
(h) Total current operating revenue	2	539 730	07	16
2. CURRENT OPERATING EXPENSES:				
(a) Salaries—officers (Number on payroll at end of period 19)		216 733	20	
(b) Salaries and wages—employees (Number on payroll at end of period 56)		217 934	46	
(c) Officer and employee benefits—pensions, hospitalization, social security, insurance, etc.		79 194	87	
(d) Fees paid to directors and members of executive, discount, and other committees		25 375	00	
(e) Interest on time and savings deposits		969 747	45	
(f) Interest and discount on borrowed money		1 657	53	
(g) Net occupancy expense of bank premises (From Section E, item 10)		65 561	46	
(h) Furniture and equipment—depreciation, rents, servicing, uncapitalized costs, etc.		32 975	46	
(i) Other current operating expenses (itemize large amounts) No item over 25%		275 436	55	
(j) Total current operating expenses	1	804 636	00	72
3. NET CURRENT OPERATING EARNINGS (Item 1h minus item 2j)		655 092	07	4.37
4. RECOVERIES, TRANSFERS FROM VALUATION RESERVES, AND PROFITS:				
(a) On securities: (1) Profits on securities sold or redeemed		43 881	29	
(2) Recoveries		None		
(3) Transfers from valuation reserves (From item 7, col. 3 of Section D)		None		
(b) On loans: (1) Recoveries		479	48	
(2) Transfers from valuation reserves (From item 7, cols. 1 and 2 of Section D)		None		
(c) All other (itemize large amounts)		None		
(d) Total recoveries, transfers from valuation reserves, and profits (Items 4a plus 4b plus 4c)		44 360	77	61
5. LOSSES, CHARGE-OFFS, AND TRANSFERS TO VALUATION RESERVES:				
(a) On securities: (1) Losses on securities sold		None		
(2) Charge-offs on securities not sold		None		
(3) Transfers to valuation reserves (To item 4, col. 3 of Section D)		None		
(b) On loans: (1) Charge-offs		None		
(2) Transfers to valuation reserves (To item 4, cols. 1 and 2 of Section D)		78 485	96	0.52
(c) All other (itemize large amounts)		3 778	08	
(d) Total losses, charge-offs, and transfers to valuation reserves (Items 5a plus 5b plus 5c)		82 264	04	61
6. NET INCOME BEFORE RELATED TAXES (Item 3 plus item 4d minus item 5d)		617 188	80	4.11
7. TAXES ON NET INCOME: Federal $ 100,138.89 State $ 28,066.91		128 233	80	0.85
8. NET INCOME* (Item 6 minus item 7)		488 955	00	3.26
9. DIVIDENDS ON CAPITAL:				
(a) Cash dividends declared on common stock: Date declared Mar. 12 1968 date payable Mar. 30 1968 $ 35,000.00				
Date declared May 20 1968 date payable June 3 1968 $ 45,000.00				
Date declared Sep. 12 1968 date payable Sep. 30 1968 $ 45,000.00		186 000	00	1.24
Date declared Nov. 14 1968 date payable Dec. 15 1968 $ 60,000.00				
(b) Dividends declared on preferred stock		None		
(c) Total dividends declared		186 000	00	61
10. NET INCOME* AFTER DIVIDENDS (Item 8 minus item 9c)		302 955	40	2.02

* If a loss, indicate by a minus sign or in red.

I, Alejandro Murray Gillespie, Vice President and Cashier, of the above-named bank, do hereby certify that this report of income and dividends (including the information on the reverse side hereof), is true and correct to the best of my knowledge and belief.

(Name of officer authorized to sign report) (Title)

January 9, 1969
(Date)

(Signature of officer authorized to sign report)

Section B.—CHANGES IN CAPITAL ACCOUNTS DURING YEAR

1. NET INCOME AFTER DIVIDENDS (bring forward item 10 from face side)	302	955	40	1
2. OTHER INCREASES IN CAPITAL ACCOUNTS:				2
(a) Common stock (par value) sold (excluding $300,000 common stock dividends issued)		None		(a)
(b) Common stock (par value) exchanged for stock of other banks incident to mergers, etc		None		(b)
(c) Capital notes and debentures or preferred stock sold (face or par value)		None		(c)
(d) Premium on new capital issued		None		(d)
(e) Additions to surplus, undivided profits, and reserves incident to mergers, etc		None		(e)
(f) All other increases in capital accounts (itemize) Comm.Loan Interest accrued 12-31-67 calculated after close of year and transferred to Undivided Profits in 1968	223	711	65	(f)
(g) Total other increases in capital accounts	526	667	05	2(g)
3. OTHER DECREASES IN CAPITAL ACCOUNTS:				3
(a) Capital notes and debentures or preferred stock retired (face or par value)		None		(a)
(b) Premium paid on preferred stock retired		None		(b)
(c) Reduction in surplus, undivided profits, and reserves incident to mergers, etc		None		(c)
(d) All other decreases in capital accounts (itemize)		None		(d)
(e) Total other decreases in capital accounts		None		3(e)
4. NET CHANGE IN TOTAL CAPITAL ACCOUNTS (Item 1 plus item 2(g) minus item 3(e); indicate net decrease by minus sign or in red. This must agree with the net change at item 6 of Section C)	526	667	05	4

Section C.—CAPITAL ACCOUNTS AT BEGINNING AND END OF CURRENT YEAR

The items in this section must agree with the corresponding items in the Condition Reports, if rendered as of the same dates. The items in the first column must agree with the corresponding items for the same date in the preceding Report of Income and Dividends.

	At Beginning of Year	At End of Year	
1. Common stock	1 200 000 00	1 500 000 00	1
2. Capital notes and debentures and preferred stock	None	None	2
3. Surplus	1 500 000 00	1 500 000 00	3
4. Undivided profits	1 193 470 26	1 420 137 31	4
5. Reserve for contingencies, etc	None	None	5
6. Total capital accounts (net change of $526,667.05 during the period) (must agree with item 4 of Section B)	3 893 470 26	4 420 137 31	6

Section D.—RESERVES FOR BAD DEBTS AND OTHER VALUATION RESERVES

	Reserve for Bad Debt Losses and Other Valuation Reserves on Loans		Valuation Reserves on Securities	
	Reserve set up pursuant to Internal Revenue Service Ruling	Other valuation reserves on loans		
1. Balance at beginning of calendar year	452 614 10	None	None	1
2. Additions due to mergers and absorptions	None	None	None	2
3. Recoveries credited to these reserves	15 868 32	None	None	3
4. Transfers to these reserves (included in item 5 of Section A)	78 485 96	None	None	4
5. Total (Sum of items 1, 2, 3 and 4)	546 968 38	None	None	5
6. Losses charged to these reserves	44 849 19	None	None	6
7. Transfers from these reserves (included in item 4 of Section A)	None	None	None	7
8. Balance at end of year (Sum of first two columns must agree with Schedule A, item 9, of Report of Condition if rendered as of same date)	502 119 19	None	None	8

Section E.—OCCUPANCY EXPENSE OF BANK PREMISES

1. Salaries and wages of building employees:			1
(a) Officers (Number on payroll at end of period None)		None	(a)
(b) Employees (Number on payroll at end of period 2)	7 172 39		(b)
2. Building officer and employee benefits	1 423 98		2
3. Recurring depreciation on bank premises and leasehold improvements	31 757 86		3
4. Maintenance, repairs, and uncapitalized alteration costs of bank premises and leasehold improvements	14 059 53		4
5. Insurance, utilities (heat, light, and water), etc	15 363 26		5
6. Rents paid on bank premises		None	6
7. Taxes on bank premises and leasehold improvements	35 346 50		7
8. Gross occupancy expense	105 129 52		8
9. Less: (a) Rental income from bank premises $ 39,547.06			
(b) Other credits $ None	39 547 06		9
10. Net occupancy expense (must agree with item 2g of Section A)	65 582 46		10

Section F.—COMPUTATION OF RETAINED PROFITS

1. Net income after dividends (Item 10 of Section A)	302	955	40
2. Add: (a) Recoveries credited to valuation reserves (Item 3 of Section D) $ 15,868.32			
(b) Transfers to valuation reserves (Item 4 of Section D) $ 78,485.96			
3. Total (Sum of items 1 and 2)	94	354	28
4. Deduct: (a) Losses charged to valuation reserves (Item 6 of Section D) $ 44,849.19			
(b) Transfers from valuation reserves (Item 7 of Section D) $ None	44	849	19
5. Profits retained	352	400	49

THE COMPTROLLER OF THE CURRENCY · UNITED STATES TREASURY

Call No. 484

Charter No. 2975

REPORT OF CONDITION of The FIRST NATIONAL BANK OF GREELEY P. O., Box 1665

Greeley (Office of bank) COLO (County) COLORADO (State) 80631 (Zip Code No.)

At the close of business on December 31, 1957

ASSETS	Thousands	Cts
1. Cash, balances with other banks, and cash items in process of collection (Schedule D, Item 1)	6	
2. United States Government obligations, direct and guaranteed (Schedule D)	4	
3. Obligations of States and political subdivisions	4	
4. Corporate stocks (including stock of Federal Reserve bank) (Schedule D)		None
5. Other bonds, notes, and debentures		75
6. Federal funds sold and securities purchased under agreements to resell		None
7. Loans and discounts (Schedule D, Item 12)	23	
8. Bank premises, furniture and fixtures, and other assets representing bank premises		
9. Real estate owned other than bank premises		
10. Investments and other assets indirectly representing bank premises or other real estate		None
11. Other assets (Schedule D) [illegible] Direct loan financing $ 9,000		9
12. TOTAL ASSETS	41	

LIABILITIES		
13. Demand deposits of individuals, partnerships, and corporations	19	
14. Time and savings deposits of individuals, partnerships, and corporations (Schedule F, Item 6)	10	
15. Deposits of U.S. Government (including postal savings)		
16. Deposits of States and political subdivisions	3	
17. Deposits of banks (including certified and officers' checks, etc.)		None
18. Deposits of other banks (Schedule F, Items 8 and 11) and Federal funds purchased		
19. Certified and officers' checks, etc. (Schedule F, Item 10)		
20. TOTAL DEPOSITS (Schedule F, Item 12)		
21. Expenses, taxes, dividends, and interest accrued and unpaid	1	
22. Liabilities for borrowed money		None
23. Mortgages, liens, and other liabilities not listed above		None
24. Other liabilities (Schedule D) [illegible]		
25. TOTAL LIABILITIES	37	

CAPITAL ACCOUNTS		
26. Capital notes and debentures		None
27. Preferred stock (No. shares authorized [illegible])		None
Par value per share [illegible]		
28. Common stock (No. shares authorized 150,000)	1	
No. shares outstanding 150,000		
29. Surplus	1	
30. Undivided profits	1	
31. Reserves		
32. TOTAL CAPITAL ACCOUNTS	3	
33. TOTAL LIABILITIES AND CAPITAL ACCOUNTS	41	

I, Abbiegail Kelly Gallagher, Cashier of the above-named bank do solemnly declare that this report of condition is true and correct to the best of my knowledge and belief.

Subscription of officer authorized to sign report

We, the undersigned directors, attest the correctness of this report of condition (including the schedules and statements herein) and declare that it has been examined by us and to the best of our knowledge and belief is true and correct, and that it has been prepared in conformity with the instructions issued by the Comptroller of the Currency and is in accordance with the law. We certify that we are not directors of any other national bank or of any State bank, banking association, or trust company located within the city, town, or village in which this bank is located, except the following: [illegible]

NOTE: This report must be signed by the authorized officer, preferably by the cashier, and by at least three of the directors, who must subscribe to the oath below. If the bank has a board of directors consisting of more than three members, only a majority of the board need sign the report. Each director who signs the report should write his name legibly after his signature.

Directors

SCHEDULE D—SUPPLEMENTAL SCHEDULES		SCHEDULE D—SUPPLEMENTAL SCHEDULES	
1. Cash, balances with other banks, and cash items in process of collection	None	1. Unearned discount	None
2. Obligations of States and political subdivisions pledged to secure deposits and other liabilities	587	2. Dividends declared but not yet payable	None
3. Obligations of States and political subdivisions pledged to secure trust funds	None	3. Interest accrued but not collected	106
4. Bank premises owned, furniture and fixtures, and other assets representing bank premises	None	4. Expenses accrued and unpaid	314
5. Real estate owned other than bank premises	None	5. Amounts due Federal Reserve Bank (including amounts due on Federal funds transactions)	None
6. Investments and other assets indirectly representing bank premises or other real estate	None	6. All other liabilities	None
7. All other assets	None		
Total	9	Total	469

SCHEDULE E—CAPITAL NOTES AND DEBENTURES	
1. Capital notes and debentures	None
2. Amount included in Schedule A, Item 27, Subscription B	None
3. Amount included in Schedule A, Item 28, Subscription B	None

Form 105
Treasury Department
Comptroller of the Currency—Washington

REPORT OF INCOME AND DIVIDENDS
FOR THE YEAR ENDED DEC. 31, 1967

F. R. Region No.	12
F. R. Dist. No.	10
Charter No.	2178
Tot. Deposits 12/31	$ 35,783,156,25

The First National Bank of Greeley — **Post Office Box 1050**

(Name of bank) (Street address or P.O. Box)

Greeley (City or town) — **Weld** (County) — **Colorado** (State) — **80631** (ZIP Code No.)

POSTAGE POSTAGE STAMPS CHART

Section A—SOURCES AND DISPOSITION OF INCOME	DOLLARS	CTS.
1. CURRENT OPERATING REVENUE:		
(a) Interest and dividends on: (1) U.S. Government obligations	161 173	14
(2) Other securities	176 119	77
(b) Interest and discount on loans	1 997 671	97
(c) Service charges and other fees on bank's loans	4 976	53
(d) Service charges on deposit accounts	111 567	21
(e) Other service charges, commissions, fees, and collection and exchange charges	6 409	45
(f) Trust department	64 271	96
(g) Other current operating revenue (itemize large amounts) Interest on Federal Funds Sold $31,604.02 Purchase National Inv. Co. Comm.$21,780.11 and Interest on Cert. Dep.	70 271	20
(h) Total current operating revenue	2 192	
2. CURRENT OPERATING EXPENSES:		
(a) Salaries—officers (Number on payroll at end of period 18)	203 286	81
(b) Salaries and wages—employees (Number on payroll at end of period 52)	204 298	71
(c) Officers' and employees' benefits—pensions, hospitalization, social security, insurance, etc.	77 961	54
(d) Fees paid to directors and members of committees	24 250	00
(e) Interest on time and savings deposits	856 703	15
(f) Interest and discount on borrowed money	1 775	14
(g) Net occupancy expense of bank premises (From Section B, item 10)	57 358	13
(h) Furniture and equipment expense (depreciation, rents, servicing, supplies, etc.)	28 827	67
(i) Other current operating expenses (itemize large amounts) Interest on Fed. Funds Purchased $3,025.14 No Load Mut. Fds.	107 273	20
(j) Total current operating expenses	1 661	
3. NET CURRENT OPERATING EARNINGS (Item 1(h) minus item 2(j))	531	
4. RECOVERIES, TRANSFERS FROM VALUATION RESERVES, AND PROFITS:		
(a) On securities: (1) Profits on securities sold or redeemed	93 720	00
(2) Recoveries	20 000	00
(3) Transfers from valuation reserves (From item 7, col. 3 of Section B)	None	
(b) On loans: (1) Recoveries	931	92
(2) Transfers from valuation reserves (From item 7, cols. 1 and 2 of Section B)	None	
(c) All other (itemize large amounts)	25	00
(d) Total recoveries, transfers from valuation reserves, and profits (Items 4a plus 4b plus 4c)	114 745	07
5. LOSSES, CHARGE-OFFS, AND TRANSFERS TO VALUATION RESERVES:		
(a) On securities: (1) Losses on securities sold	16	22
(2) Charge-offs on securities not sold	None	
(3) Transfers to valuation reserves (To item 6, col. 3 of Section B)	None	
(b) On loans: (1) Charge-offs	None	
(2) Transfers to valuation reserves (To item 6, cols. 1 and 2 of Section B)	93 793	77
(c) All other (itemize large amounts)	3 324	92
(d) Total losses, charge-offs, and transfers to valuation reserves (Items 5a plus 5b plus 5c)	96 134	91
6. NET INCOME BEFORE RELATED TAXES (Item 3 plus item 4d minus item 5d)	549	
7. TAXES ON NET INCOME: Federal $ 127,019.53 State $ 32,023.96	159 043	29
8. NET INCOME (Item 6 minus item 7)	418	
9. DIVIDENDS ON CAPITAL:		
(a) Cash dividends declared on common stock: State ordinary 20 % — date payable 1/2/68 — to 7 $ 36,000.00		
State ordinary 10 % — date payable 4/1/68 — to 7 $ 18,000.00		
State ordinary 10 % — date payable 7/1/68 — to 7 $ 18,000.00	180	000	00
State ordinary 10 % — date payable 10/1/68 — to 7 $ 18,000.00		
Special Payable 36,000.00 12-23		
(b) Total dividends declared	180	000	00
10. NET INCOME AFTER DIVIDENDS (Item 8 minus item 9c)	238	827	12

I, **Alejandro M. Gillespie** (Name of officer authorized to sign report) **Cashier** (Title), of the above-named bank, do hereby certify that this report of income and dividends (including the information on the reverse side hereof), is true and correct to the best of my knowledge and belief.

January 4, 1968 (Date)

(Signature of officer authorized to sign report)

Section C—CHANGES IN CAPITAL ACCOUNTS DURING YEAR

1. NET INCOME AFTER DIVIDENDS (being forward item 15 from face page)		230 897 12	1
2. OTHER INCREASES IN CAPITAL ACCOUNTS:			2
(a) Common stock (par value) sold (including $ ---- common stock dividends issued)		None	(a)
(b) Common stock (par value) exchanged for stock of other banks resident in Canada, etc		None	(b)
(c) Capital notes and debentures or preferred stock issued (face or par value)		None	(c)
(d) Premium on new capital issued		None	(d)
(e) Additions to surplus, undivided profits, and reserves resident to mergers, etc		None	(e)
(f) All other increases in capital accounts (itemize)		None	(f)
(g) Total other increases in capital accounts		230 897 12	(g)
3. OTHER DECREASES IN CAPITAL ACCOUNTS:			3
(a) Capital notes and debentures or preferred stock retired (face or par value)		None	(a)
(b) Premium paid on preferred stock retired		None	(b)
(c) Reductions in surplus, undivided profits, and reserves resident to mergers, etc		None	(c)
(d) All other decreases in capital accounts (itemize)		None	(d)
(e) Total other decreases in capital accounts		None	(e)
4. NET CHANGE IN TOTAL CAPITAL ACCOUNTS (Item 1 plus Item 2(g) minus Item 3(e); indicate net decrease by minus sign or in red. This must agree with the net change at item 6 of Section C		230 897 12	4

Section C—CAPITAL ACCOUNTS AT BEGINNING AND END OF CURRENT YEAR

The items in this section must agree with the corresponding items in the Condition Reports, if rendered as of the same dates. The items in the first column must agree with the corresponding items for the same date in the preceding Report of Income and Dividends.

	At beginning of Year	At End of Year	
1. Common stock	1 200 000 00	1 200 000 00	1
2. Capital notes and debentures and preferred stock	None	None	2
3. Surplus	1 300 000 00	1 500 000 00	3
4. Undivided profits	1 102 573 14	1 193 470 26	4
5. Reserve for contingencies, etc	None	None	5
6. Total capital accounts (net change of $ 230,897.12 during the period (must agree with item 4 of Section B)	2 602 573 14	2 893 470 26	6

Section D—RESERVES FOR BAD DEBTS AND OTHER VALUATION RESERVES

	Reserve for Bad Debts and Other Valuation Reserves on Loans		Valuation Reserves on Securities
	Reserve set up pursuant to Section 81 of the Bank Act	Other valuation reserves on loans	
1. Balance at beginning of calendar year	402 101 71	None	None
2. Additions due to mergers and amalgamations	None	None	None
3. Recoveries credited to these reserves	5 530 84	None	None
4. Transferred to these reserves (included in item 5 of Section A)	92 792 77	None	None
5. Total (sum of items 1, 2, 3 and 4)	500 425 32	None	None
6. Losses charged to these reserves	47 812 22	None	None
7. Transferred from these reserves (included in item 6 of Section A)	None	None	None
8. Balance at end of year (sum of last two columns must agree with item 2 of Section B, item 5, of Report of Directors, if rendered as of same date)	452 614 10	None	None

Section E—OCCUPANCY EXPENSE OF BANK PREMISES

1. Amount paid during year for banking premises:		
(a) Offices (Number on payroll at end of year None)		None
(b) Managers' dwellings (Number on payroll at end of year 2)		7 146 67
2. Banking office and managers' dwellings		1 200 72
3. Recurring depreciation on bank premises and furniture and equipment		39 397 80
4. Maintenance, repairs, and miscellaneous operating costs of bank premises and furniture and equipment		16 794 00
5. Insurance, utilities, rental, light, and water, etc		12 810 93
6. Taxes paid on bank premises		200 00
7. Taxes on bank premises and furniture and equipment		24 573 [illegible]
8. Other occupancy expense		22 923 [illegible]
9. Less: Net rental revenue from bank premises (a) value assets	$ 49,676.30	
	$ ---	
10. Net occupancy expense (must agree with item 10 of Section A)		[illegible]

Section F—COMPUTATION OF RETAINED PROFITS

1. Net income after dividends (item 15 of Section A)		230 897 12	1
2. Add: Net transfers credited to valuation reserves (item 3 of Section B):			2
(a) Transfers to valuation reserves (item 4 of Section B)	$ 5,530.84		
	$ 92,792.77	98 323 61	
3. Total (sum of items 1 and 2)		329 221 73	3
4. Deduct: Net losses charged to valuation reserves (item 6 of Section B):	$ 47,812.22		4
(a) Transfers from valuation reserves (item 7 of Section B)	$ None	47 812 22	
5. Profits retained		281 409 51	5

THE COMPTROLLER OF THE CURRENCY • UNITED STATES TREASURY

Call No. 448

Charter No. 2178

REPORT OF CONDITION of the First National Bank of Greeley P. O. Box 1056

(Name of bank) (Street address or P.O. box)

Greeley Weld Colorado 80631

(City or town) (County) (State) (Zip Code No.)

at the close of business on December 31, 1966

PLEASE FOLD THIS SIDE OUT

		Dollars	Cts.	
	ASSETS			
1.	Cash, balances with other banks, and cash items in process of collection (Schedule B, item 7)	5 410 210	34	1
2.	United States Government obligations, direct and guaranteed (from Schedule B)	3 991 916	29	2
3.	Obligations of States and political subdivisions	4 865 725	19	3
4.	Securities of Federal agencies and corporations not guaranteed by U.S. (from Schedule B)	None		4
5.	Other bonds, notes, and debentures	None		5
6.	Securities purchased under agreements to resell	None		6
7.	Federal funds sold	None		7
8.	Loans and discounts (Schedule A, item 10)	21 991 231	76	8
9.	Fixed assets	874 309	81	9
10.	Direct lease financing	None		10
11.	Customers' liability on this bank on acceptances outstanding	None		11
12.	Other assets (total of Schedule B)	254 694	89	12
13.	TOTAL ASSETS	36 270 318	27	13
	LIABILITIES			
14.	Demand deposits of individuals, partnerships, and corporations (Schedule E, item 6)	11 532 [illegible]	47	14
15.	Time and savings deposits of individuals, partnerships, and corporations (Schedule F, item 6)	18 761 [illegible]	55	15
16.	Deposits of U.S. Government (Schedule E, item 7, and Schedule F, item 7)	177 [illegible]	66	16
17.	Deposits of States and political subdivisions (Schedule E, item 8, and Schedule F, item 8)	3 116 [illegible]	98	17
18.	Deposits of foreign governments and official institutions, central banks and international institutions (Schedule E, item 9, and Schedule F, item 9)	None		18
19.	Deposits of commercial banks (Schedule E, items 9 and 9, and Schedule F, items 10 and 10)	271 [illegible]	84	19
20.	Certified and officers' checks, etc. (Schedule E, item 10)	502 [illegible]	23	20
21.	TOTAL DEPOSITS (items 14 to 20) $32,331,[illegible]62.34			21
	(a) Total demand deposits (Schedule E, item 11) $14,[illegible]50,965.22 (Amounts not to be extended.)			(a)
	(b) Total time and savings deposits (Schedule F, item 12) $17,[illegible]80,897.02			(b)
22.	Liabilities for securities sold under agreements to repurchase	None		22
23.	Federal funds purchased	None		23
24.	Liabilities for borrowed money	None		24
25.	Acceptances executed by or for account of this bank and outstanding	None		25
26.	Other liabilities (total of Schedule L)	254 [illegible]	89	26
27.	TOTAL LIABILITIES	32 715 [illegible]	12	27
	CAPITAL ACCOUNTS			
28.	(a) Capital notes and debentures	None		28 (a)
	(b) Preferred stock—total par value	None		(b)
	No. shares authorized			
	No. shares outstanding			
	(c) Common stock—total par value	1 200 000	00	(c)
	No. shares authorized 120,000			
	No. shares outstanding 120,000			
29.	Surplus	1 200 000	00	29
30.	Undivided profits	1 162 373	14	30
31.	Reserves	None		31
32.	TOTAL CAPITAL ACCOUNTS	3 [illegible]	14	32
33.	TOTAL LIABILITIES AND CAPITAL ACCOUNTS	36 [illegible]	27	33

I, Alejandro Harvey Gillespie, Cashier of the above-named bank do hereby declare that this report of condition, including the schedules below and to the reverse side hereof, is true and correct to the best of my knowledge and belief.

(Signature of officer authorized to sign report)

We, the undersigned directors attest the correctness of this report of condition, including the schedules below and on the reverse side hereof. We declare that it has been examined by us, to the best of our knowledge and belief is true and correct, and that it has been and will be published in the manner prescribed by Section 5211 U.S.R.S. (12, U.S.C., sec. 161), within fifteen days from the date of receipt of the call for report of condition by the Comptroller of the Currency.

NOTE: This report must be signed by an authorized officer attested by not less than three directors, other than the officer signing the report, and forwarded within ten days after receipt of call. The Comptroller of the Currency must be promptly notified of publication but not later than the time specified.

Director

Director

Director

SCHEDULE H—OTHER ASSETS				SCHEDULE L—OTHER LIABILITIES			
1. Securities borrowed	None		1	1. Securities borrowed	None		1
2. Interest earned or accrued but not collected	1 413	36	2	2. Dividends declared but not yet payable	None		2
3. Insurance and other expenses prepaid	None		3	3. Interest collected but not earned	204 204	15	3
4. Cash items not in process of collection	None		4	4. Expenses accrued and unpaid	44 [illegible]	60	4
5. All other (itemize) 3 Payroll	75 000	00	5	5. Amounts due Federal Reserve Bank and other banks (exempt personnel)	None		5
Oil, Gas, [illegible]	2	00		6. Short term promissory notes	None		6
[illegible]	2	00		7. All other (itemize)			7
[illegible]	193	00		1966 Fed. Inc. Tax	85 [illegible]	63	
[illegible] Improvements	250	00		1966 Colo. Inc. Tax	[illegible]	53	
[illegible]	179	00					
[illegible]	179 000	00	6		354 [illegible]	50	

SCHEDULE M—OTHER DATA FOR DEPOSIT INSURANCE ASSESSMENTS

1. Unamortized bond premium carried in bank's own bond department	None	
2. Unposted credits (see instructions):		
(a) Actual amount of all unposted credits in single factor amount of item 9)	None	
(b) Unposted credits on time deposits		
(c) Actual amount for Demand Deposits (sum of item 11, Schedule E		
(d) Actual amount for Time and Savings Deposits (sum of item 12, Schedule F	None	

SCHEDULE A—LOANS AND DISCOUNTS
(Including rediscounts and overdrafts) (See instructions, 5138-C)

	Dollars	Cts.	
1. Real estate loans (include only loans secured primarily by real estate):			
(a) Secured by farm land (including improvements)	[illegible]	[illegible]	1
(b) Secured by residential properties (other than farm) and insured by Federal Housing Administration	25 854	00	(a)
(c) Secured by residential properties other than farm and guaranteed by Veterans' Administration	59 396	70	(b)
(d) Secured by residential properties (other than farm) and not insured or guaranteed by FHA or VA			(c)
(e) Secured by nonfarm nonresidential properties (e.g., business, industrial, loan, office buildings, churches)	748 916	48	(d)
2. Loans to financial institutions:	1 934	692	46	(e)
(a) To domestic commercial and foreign banks	None		2
(b) To other financial institutions (include loans to sales finance, personal finance, insurance and mortgage cos, factors, mutual savings banks, savings and loan assoc., Federal lending agencies, and all other business and personal credit agencies)	2 039	900	00	(a)
3. Loans for purchasing or carrying securities (secured or unsecured):	None		3
(a) To brokers and dealers in securities	12	347	50	(b)
(b) Other loans for the purpose of purchasing or carrying stocks, bonds, and other securities				(a)
4. Loans to farmers (secured and unsecured except loans secured by real estate shown, but including loans for household and personal expenditures)	8 098	606	33	(b)
5. Commercial and industrial loans (include all loans for commercial and industrial purposes, secured or unsecured, except those secured by real estate shown)	5 378	935	12	4
6. Loans to individuals for household, family, and other personal expenditures (include business loans, loans to farmers, and loans secured by real estate above, include purchased paper):				5
(a) To purchase private passenger automobiles on installment basis	1 [illegible]	[illegible]	[illegible]	6
(b) To purchase other retail consumer goods on installment basis	[illegible]	[illegible]	[illegible]	(a)
(c) Installment loans to repair and modernize residential property	13	[illegible]	[illegible]	(b)
(d) Other installment loans for household, family, and other personal expenditures	150	[illegible]	[illegible]	(c)
(e) Single-payment loans for household, family, and other personal expenditures	270	352	23	(d)
7. All other loans (incl. overdrafts). (To charter, bargain, charitable or educational institutions, etc., not secured by real estate above)	705	662	04	(e)
	275	328	53	7
8. Loans and Discounts, Gross (total of items 1 to 7)	22 [illegible]	[illegible]	[illegible]	8
9. Less reserve for bad debts, unallocated charge-offs, and other valuation reserves	[illegible]	[illegible]	[illegible]	9
10. Loans and Discounts, Net, (item 8 minus item 9) (must agree with item 8, of "Assets")	21 [illegible]	[illegible]	[illegible]	10

SCHEDULE B—CASH, BALANCES WITH OTHER BANKS, AND CASH ITEMS IN PROCESS OF COLLECTION

1. Cash items in process of collection and unposted debits (known on the reporting bank total (Banks electing to report solutions (a) and (b), or (c) and (d)—see instructions)	995	056	01	1
(a) Cash items in process of collection including exchanges for clearing house (Item 1 less solutions (b) or (c))	$ ----			
(b) Actual amount of all unposted debits or single factor % of item 21	$ ----			(a)
(c) Separate amount of unposted debits or separate factors				(b)
(1) Actual amount for Demand Deposits or % of item 11, Schedule E				(c-1)
(2) Actual amount for Time and Savings Deposits or % of item 12, Schedule F	$ ----			(c-2)
2. Demand balances with banks in the United States	2 060	153	94	2
3. Other balances with banks in the United States (including all balances with American branches of foreign banks)		None		3
4. Balances with banks in foreign countries (including balances with foreign branches of other American banks)		None		4
5. Currency and coin	403	459	05	5
6. Reserve with Federal Reserve Bank	1 521	823	24	6
7. Total of items 1 to 6 (must agree with item 1 of "Assets")	4 [illegible]	[illegible]	[illegible]	7

SCHEDULE E—DEMAND DEPOSITS

1. Deposits of mutual savings banks		None		1
2. Deposits of savings and loan associations	122	420	19	2
3. Deposits of other individuals, partnerships, and corporations	11 [illegible]	[illegible]	[illegible]	3
4. Total of items 1, 2, and 3 (must agree with item 14 of "Liabilities")	11 [illegible]	[illegible]	[illegible]	4
5. Deposits of United States Government	177	933	66	5
6. Deposits of States and political subdivisions	1 977	047	82	6
7. Deposits of foreign governments and official institutions, central banks and international institutions		None		7
8. Deposits of commercial banks in the U. S.	271	033	64	8
9. Deposits of banks in foreign countries (including balances of foreign branches of other American banks)		None		9
10. Certified and officers' checks, travelers' checks, letters of credit, etc. (must agree with item 20 of "Liabilities")	[illegible]	[illegible]	[illegible]	10
11. Total Demand Deposits (items 4 to 10) (must agree with item 21(a) of "Liabilities")	14 [illegible]	[illegible]	[illegible]	11

SCHEDULE F—TIME AND SAVINGS DEPOSITS

1. Savings deposits	12 055	403	21	1
2. Deposits accumulated for payment of personal loans		None		2
3. Deposits of mutual savings banks		None		3
4. Deposits of savings and loan associations		None		4
5. Other time deposits of individuals, partnerships, and corporations	4 [illegible]	[illegible]	[illegible]	5
6. Total of items 1 to 5 (must agree with item 15 of "Liabilities")	16 [illegible]	[illegible]	[illegible]	6
7. Deposits of United States Government		None		7
8. Deposits of States and political subdivisions	1 139	[illegible]	[illegible]	8
9. Deposits of foreign governments and official institutions, central banks and international institutions		None		9
10. Deposits of commercial banks in the United States		None		10
11. Deposits of banks in foreign countries (including balances of foreign branches of other American banks)		None		11
12. Total Time and Savings Deposits (items 6 to 11) (must agree with item 21(b) of "Liabilities")	17 [illegible]	[illegible]	[illegible]	12

MEMORANDA (Publication requested only for items 1 and 2—optional for items 3 and 4)

1. Average of total deposits for the 15 calendar days ending with call date	31 [illegible]	[illegible]	[illegible]	1
2. Average of total loans for the 15 calendar days ending with call date	21 [illegible]	[illegible]	[illegible]	2
3. Loans as shown in item 9 of "Assets" are after deduction of valuation reserves of	402	101	71	3
4. Securities as shown in item 2-5 of "Assets" are after deduction of valuation reserves of		None		4
5. Time certificates of deposit outstanding (exclude those secured by pledged assets)				5
(a) Total dollar amount in denominations of $100,000 or more	$ ----			(a)
(b) Total dollar amount in denominations of less than $100,000	[illegible]	[illegible]	[illegible]	(b)

5. Savings Certificates Outstanding
   (a) Total dollar amount in denominations of $100,000 or more — None
   (b) Total dollar amount in denominations of less than $100,000 — 4 259 [illegible]

Form 1120
TREASURY DEPARTMENT
COMPTROLLER OF THE CURRENCY—STATISTICAL
(Revised December 1965)

(PLEASE FOLD THIS SIDE OUT)

N. B. Reg. No. 12
F. R. Dist. No. 10
Charter No. 3172

REPORT OF INCOME AND DIVIDENDS FOR THE YEAR ENDED DEC. 31, 1966

The First National Bank of Greeley (Name of bank) P. O. Box 1058 (Street address or P. O. Box)

Greeley (City or town) Weld (County) Colorado (State) 80631 (Zip Code No.)

Section A—SOURCES AND DISPOSITION OF INCOME	Dollars	Cents	
1. CURRENT OPERATING REVENUE:			
(a) Interest and dividends on: (1) U.S. Government obligations	346	028	03 *
(2) Other securities	126	604	49 *
(b) Interest and discount on loans	1 458	338	48 *
(c) Service charges and other fees on bank's loans	3	112	00 *
(d) Service charges on deposit accounts	110	240	35 *
(e) Other service charges, commissions, fees, and collection and exchange charges	7	954	13 *
(f) Trust department	64	273	13
(g) Other current operating revenue (itemize large amounts)	52	755	41
(h) Total current operating revenue	1 969	306	07
2. CURRENT OPERATING EXPENSES:			
(a) Salaries—officers (Number on payroll at end of period 18)	192	649	14
(b) Salaries and wages—employees (Number on payroll at end of period 50)	169	748	47
(c) Officer and employee benefits—pensions, hospitalization, social security, insurance, etc.	44	854	73
(d) Fees paid to directors and members of executive, discount, and other committees	22	275	00
(e) Interest on time and savings deposits	711	106	25
(f) Interest and discount on borrowed money		670	00
(g) Net occupancy expense of bank premises (From Section E, item 10)	64	125	35
(h) Furniture and equipment—depreciation, rents, servicing, unamortized costs, etc.	21	962	11
(i) Other current operating expenses (itemize large amounts)	100	102	04
No item over 2%			
(j) Total current operating expenses	1 407	121	02
3. NET CURRENT OPERATING EARNINGS (Item 1h minus item 2j)	562	184	99
4. RECOVERIES, TRANSFERS FROM VALUATION RESERVES, AND PROFITS:			
(a) On securities: (1) Profits on securities sold or redeemed	1	476	13
(2) Recoveries	13	250	00
(3) Transfers from valuation reserves (From item 7, col. 3 of Section D)		None	
(b) On loans: (1) Recoveries	1	985	65
(2) Transfers from valuation reserves (From item 7, cols. 1 and 2 of Section D)		None	
(c) All other (itemize large amounts)		40	00
(d) Total recoveries, transfers from valuation reserves, and profits (Items 4a plus 4b plus 4c)	16	751	78
5. LOSSES, CHARGE-OFFS, AND TRANSFERS TO VALUATION RESERVES:			
(a) On securities: (1) Losses on securities sold	48	973	93
(2) Charge-offs on securities not sold		682	50
(3) Transfers to valuation reserves (To item 4, col. 3 of Section D)		None	
(b) On loans: (1) Charge-offs		None	
(2) Transfers to valuation reserves (To item 4, cols. 1 and 2 of Section D)	175	777	43
(c) All other (itemize large amounts) Net loss, sundry assets, $2,973.80 (39) Other 9,870.29	43	120	29
(d) Total losses, charge-offs, and transfers to valuation reserves (Items 5a plus 5b plus 5c)	268	554	20
6. NET INCOME BEFORE RELATED TAXES (Item 3 plus item 4d minus item 5d)	310	022	57
7. TAXES ON NET INCOME: Federal $ 69,399.63 State $ 18,020.53	104	122	16
8. NET INCOME (Item 6 minus item 7)	205	900	41
9. DIVIDENDS ON CAPITAL:			
(a) Cash dividends declared on common stock: Date declared Jan. 10 1966, date payable Mar. 31 1966 $50,000.00; Date declared Apr. 11 1966, date payable June 30 1966 $50,000.00; Date declared July 11 1966, date payable Sept. 30 1966 $50,000.00; Date declared Oct. 10 1966, date payable Dec. 30 1966 $50,000.00	144	000	00
(b) Dividends declared on preferred stock		None	
(c) Total dividends declared	144	000	00
10. NET INCOME AFTER DIVIDENDS (Item 8 minus item 9c)	61	900	41

* If a loss, indicate by a minus sign or in red.

I, Alejandro Harvey Gillespie, Cashier, of the above-named bank, do hereby certify that this report of income and dividends (including the information on the reverse side hereof), is true and correct to the best of my knowledge and belief.

January 16, 1967

(Signature of officer authorized to sign report)

Section B—CHANGES IN CAPITAL ACCOUNTS DUR NG YEAR

1. NET INCOME AFTER DIVIDENDS (being forward item 10 from face side)	$	61	640	42	1
2. OTHER INCREASES IN CAPITAL ACCOUNTS:					2
(a) Common stock (par value) sold (excluding $ ——— common stock dividends issued)			None		(a)
(b) Common stock (par value) exchanged for stock of other banks incident to mergers, etc			None		(b)
(c) Capital notes and debentures or preferred stock sold (face or par value)			None		(c)
(d) Premium on new capital issued			None		(d)
(e) Additions to surplus, undivided profits, and reserves incident to mergers, etc			None		(e)
(f) All other increases in capital accounts (itemize)			None		(f)
(g) Total other increases in capital accounts			None		2(g)
3. OTHER DECREASES IN CAPITAL ACCOUNTS:					3
(a) Capital notes and debentures or preferred stock retired (face or par value)			None		(a)
(b) Premium paid on preferred stock retired			None		(b)
(c) Reduction in surplus, undivided profits, and reserves incident to mergers, etc			None		(c)
(d) All other decreases in capital accounts (itemize)			None		(d)
(e) Total other decreases in capital accounts			None		3(e)
4. NET CHANGE IN TOTAL CAPITAL ACCOUNTS (Item 1 plus item 2(g) minus item 3(e); indicate net decrease by minus sign or in red. This must agree with the net change at item 6 of Section C)		61	640	42	4

Section C—CAPITAL ACCOUNTS AT BEGINNING AND END OF CURRENT YEAR

The items in this section must agree with the corresponding items in the Condition Reports, if rendered as of the same dates. The items in the first column must agree with the corresponding items for the same date in the preceding Report of Income and Dividends.

	At Beginning of Year	At End of Year	
1. Common stock	$ 1 000 000 00	$1 200 000 00	1
2. Capital notes and debentures and preferred stock	None	None	2
3. Surplus	1 000 000 00	1 200 000 00	3
4. Undivided profits	1 600 722 73	1 162 573 14	4
5. Reserve for contingencies, etc	None	None	5
6. Total capital accounts (net change of $ 42,640.42 during the period) (must agree with item 4 of Section B)	3 600 722 73	3 662 573 14	6

Section D—RESERVES FOR BAD DEBTS AND OTHER VALUATION RESERVES

	Reserve for Bad Debt Losses and Other Valuation Reserves on Loans		Valuation Reserves on Securities	
	Reserve set up pursuant to Internal Revenue Service Ruling	Other valuation reserves on loans		
1. Balance at beginning of calendar year	$ 370 204 69	$ None	$ None	1
2. Additions due to mergers and absorptions	None	None	None	2
3. Recoveries credited to these reserves	19 795 25	None	None	3
4. Transfers to these reserves (included in item 5 of Section A)	175 777 46	None	None	4
5. Total (Sum of items 1, 2, 3 and 4)	575 777 72	None	None	5
6. Losses charged to these reserves	171 696 01	None	None	6
7. Transfers from these reserves (included in item 4 of Section A)	None	None	None	7
8. Balance at end of year (Sum of first two columns must agree with Schedule A, item 9, of Report of Condition if rendered as of same date)	403 102 72	None	None	8

Section E—OCCUPANCY EXPENSE OF BANK PREMISES

1. Salaries and wages of building employees:				1
(a) Officers (Number on payroll at end of period ——)	$	None		(a)
(b) Employees (Number on payroll at end of period 2)	7	107	52	(b)
2. Building officer and employee benefits		765	65	2
3. Recurring depreciation on bank premises and leasehold improvements	31	705	40	3
4. Maintenance, repairs, and uncapitalized alteration costs of bank premises and leasehold improvements	10	664	75	4
5. Insurance, utilities (heat, light, and water), etc	15	819	15	5
6. Rents paid on bank premises		960	00	6
7. Taxes on bank premises and leasehold improvements	35	856	69	7
8. Gross occupancy expense	102	879	21	8
9. Less: (a) Rental income from bank premises $ 20,743.05 (b) Other credits $ None	20	743	05	9
10. Net occupancy expense (must agree with item 2g of Section A)	64	136	16	10

Section F—COMPUTATION OF RETAINED PROFITS

1. Net income after dividends (item 10 of Section A)	$	61	840	42	1
2. Add: (a) Recoveries credited to valuation reserves (item 3 of Section D) $ 19,795.25 (b) Transfers to valuation reserves (item 4 of Section D) $ 175,777.46		195	572	71	2
3. Total (Sum of items 1 and 2)		257	413	14	3
4. Deduct: (a) Losses charged to valuation reserves (item 6 of Section D) $ 171,696.01 (b) Transfers from valuation reserves (item 7 of Section D) $ None		171	696	01	4
5. Profits retained		85	717	13	5

THE COMPTROLLER OF THE CURRENCY • UNITED STATES TREASURY

Call No. 656

Charter No. 2278

REPORT OF CONDITION of The PIONEER NATIONAL BANK OF GREELEY (Name of bank) P. O. Box 1058 (Street address or P.O. Box)

Greeley (City or town) Weld (County) Colorado (State) 80631 (Zip Code No.)

at the close of business on December 31, 19 65

PLEASE FOLD THIS SIDE OUT

ASSETS	Dollars	Cts.	
1. Cash, balances with other banks, and cash items in process of collection (Schedule D, item 7)	4 268 250	74	1
2. Loans and discounts (Schedule A, item 10)	4 030 021	10	2
3. Obligations of States and political subdivisions	4 030 256	81	3
4. Securities of Federal agencies and corporations not guaranteed by U.S.	None		4
5. Other bonds, notes, and debentures	None		5
6. Federal funds sold	600 000	00	6
7. Loans and discounts (Schedule A, item 10)	20 391 225	09	7
8. Fixed assets	862 150	35	8
9. Direct lease financing	None		9
10. Customers' liability to this bank on acceptances outstanding	None		10
11. Other assets (total of Schedule H)	115 963	02	11
12. TOTAL ASSETS	34 695 909	61	12

LIABILITIES				
13. Demand deposits of individuals, partnerships, and corporations (Schedule K, item 4)	11	999	978	63	13
14. Time and savings deposits of individuals, partnerships, and corporations (Schedule F, item 4)	15	243	600	90	14
15. Deposits of U.S. Government (Schedule K, item 5, and Schedule F, item 7)		240	663	22	15
16. Deposits of States and political subdivisions (Schedule K, item 6, and Schedule F, item 8)	2	775	105	04	16
17. Deposits of foreign governments and official institutions, central banks and international institutions (Schedule K, item 7 and Schedule F, item 9)			None		17
18. Deposits of commercial banks (Schedule K, items 8 and 9, and Schedule F, items 10 and 11)			41	725	39	18
19. Certified and officers' checks, etc. (Schedule K, item 10)			343	441	33	19
20. TOTAL DEPOSITS (items 13 to 19)	30,565,231.53					20
(a) Total demand deposits (Schedule K, item 11)	14,141,609.27	(Amounts not to be extended.)				(a)
(b) Total time and savings deposits (Schedule F, item 12)	16,403,592.26					(b)
21. Federal funds purchased			None			21
22. Liabilities for borrowed money			None			22
23. Acceptances executed by or for account of this bank and outstanding			None			23
24. Other liabilities (total of Schedule I)			250	303	35	24
25. TOTAL LIABILITIES	30	804	207	53		25

CAPITAL ACCOUNTS				
26. (a) Capital notes and debentures		None		26(a)
(b) Preferred stock (total par value)		None		(b)
No. shares authorized 5,000				
No. shares outstanding None				
(c) Common stock (total par value)	1	000	000	00	(c)
No. shares authorized 100,000				
No. shares outstanding 100,000				
27. Surplus	1	000	000	00	27
28. Undivided profits	1	690	732	72	28
29. Reserves			None		29
30. TOTAL CAPITAL ACCOUNTS	3	890	732	72	30
31. TOTAL LIABILITIES AND CAPITAL ACCOUNTS	34	695	909	61	31

I, Alejandro U. Gillespie, of the above-named bank do hereby declare that this report of condition, including the information below and on the reverse side hereof, is true and correct to the best of my knowledge and belief.

(Signature of officer authorized to sign report)

We, the undersigned directors, attest the correctness of this report of condition, including the information below and on the reverse side hereof. We declare that it has been examined by us, to the best of our knowledge and belief is true and correct, and that it has been or will be published on the summons prescribed by Section 5211 U.S.R.S., 12 U.S.C., par 1011, within fifteen days from the date of receipt of the call for report of condition by the Comptroller of the Currency.

NOTE: This report must be signed by an authorized officer, attested by not less than three directors other than the officer signing the report and forwarded within two days after receipt of call. The Comptroller of the Currency must be promptly notified if publication has not been made within the time specified.

Directors

SCHEDULE H—OTHER ASSETS

1. Securities borrowed		None		1
2. Income earned or accrued but not collected	1	202	54	2
3. Insurance and other expenses prepaid	11	735	78	3
4. Cash items not in process of collection		None		4
5. All other (itemize) Fed Stock	60	000	00	5
Oil Corp. Stk Pfd		1	00	
Hoegen Co. Com. Unlimited Corp		1	00	
Elev. Bldg. on Leased Land	42	750	00	
Greeley Shoe Repair Contract		273	00	
6. Total (sum of item 1 through item 5)	115	963	02	6

SCHEDULE I—OTHER LIABILITIES

1. Securities borrowed		None		1
2. Dividends declared but not yet payable		None		2
3. Income collected but not earned	182	761	47	3
4. Expenses accrued and unpaid	76	274	88	4
5. Amounts due Federal Reserve bank and other banks (transit account)		None		5
6. Short term promissory notes		None		6
7. All other (itemize)		None		7
8. Total (sum of item 1 through item 7) (Subtotal)	250	303	35	8

SCHEDULE XIII—OTHER DATA FOR DEPOSIT INSURANCE ASSESSMENT

1. Unsecured loans (gross) held on bank's own trust department	None	1
2. Unposted credits (see instructions)		2
(a) Total amount of all unposted credits on single items of item 20	None	(a)
(b) Total amount of unposted credits on separate items not included in item 2(a)		
(1) Total unposted credits included in item 11, Schedule K	None	(b)(1)
(2) Total savings deposits (if any) included in item 17, Schedule F	None	(b)(2)

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SCHEDULE A—LOANS AND DISCOUNTS
(including overdrafts and overdrafts) (See instructions, 3130-C)

	Dollars			Cts.	
1. Real estate loans (*include only loans secured primarily by real estate*):	x x x	6[illegible]	725	12	1
(a) Secured by farm land (including improvements)					(a)
(b) Secured by residential properties (other than farm) and insured by Federal Housing Administration		27	015	2	(b)
		72	277	90	(c)
(c) Secured by residential properties (other than farm and guaranteed by Veterans' Administration					
(d) Secured by residential properties (other than farm) and not insured or guaranteed by FHA or VA		553	003	04	(d)
	1	763	003	88	(e)
(e) Secured by nonfarm nonresidential properties (e.g., business, industrial, hotels, office buildings, churches)	x x x	x x x	7[illegible]	x x	2
2. Loans to financial institutions:			None		(a)
(a) To domestic commercial and foreign banks					
(b) To other financial institutions (*include* loans to sales finance, personal finance, insurance and mortgage cos., factors, mutual savings banks, savings and loan assoc., Federal lending agencies, and all other business and personal credit agencies)		779	250	00	(b)
	x x x	x x x	7[illegible]	x x	3
3. Loans for purchasing or carrying securities (secured or unsecured):			None		(a)
(a) To brokers and dealers in securities		16	247	60	(b)
(b) Other loans for the purpose of purchasing or carrying stocks, bonds, and other securities					
4. Loans to farmers (*include* secured and unsecured loans to farmers, except loans secured by real estate shown elsewhere)	x x x	x x x	x x x	x x	4
(a) Loans directly guaranteed by the Commodity Credit Corporation			None		(a)
(b) Other loans to farmers (*include* loans for household and personal expenditures, except loans secured by real estate shown)	6	970	159	20	(b)
5. Commercial and industrial loans (include all loans for commercial and industrial purposes, secured or unsecured, except those secured by real estate above)	6	439	487	55	5
6. Loans to individuals for household, family, and other personal expenditures (*exclude* business loans, loans to farmers, and loans secured by real estate above; include purchased paper):	x x x	6[illegible]	2[illegible]	5[illegible]	6
(a) To purchase private passenger automobiles on installment basis		14	225	43	(a)
(b) To purchase other retail consumer goods on installment basis		129	520	35	(b)
(c) Installment loans to repair and modernize residential property		281	029	70	(c)
(d) Other installment loans for household, family, and other personal expenditures		685	059	04	(d)
(e) Single-payment loans for household, family, and other personal expenditures					(e)
7. All other loans (incl. overdrafts). (Include charter, hospital, charitable or educational institutions, etc., not secured by real estate above)		508	660	75	7
8. Loans and Discounts, Gross (total of items 1 to 7)	20	7[illegible]	[illegible]	77	8
9. Less reserves for bad debts, unallocated chargeoffs, and other valuation reserves		[illegible]	[illegible]	[illegible]	9
10. Loans and Discounts, Net (item 8 minus item 9) (must agree with item 7 of "Assets")	20	391	295	99	10

SCHEDULE B—UNITED STATES GOVERNMENT OBLIGATIONS, DIRECT AND GUARANTEED

1. Treasury bills			None		1
2. Treasury certificates of indebtedness			None		2
3. Treasury notes:	x x x	6[illegible]	[illegible]	5[illegible]	3
(a) Maturing within 1 year from date of call report	1	263	004	65	(a)
(b) Maturing after 1 year from date of call report			None		(b)
4. United States noninterchangeable bonds (savings issues F, G, government series A 1965, D 1975-80, and depository bonds)			None		4
5. Other United States bonds maturing within 1 year from date of call report			None		5
6. Other United States bonds maturing after 1 but within 5 years from date of call report	1	603	[illegible]7	50	6
7. Other United States bonds maturing after 5 but within 10 years from date of call report		424	[illegible]	02	7
8. United States bonds maturing after 10 years from date of call report		100	000	00	8
9. Securities guaranteed by U. S. Government					9
10. Total United States Government Obligations (must agree with item 2 of "Assets")	4	038	331	93	10

SCHEDULE D—CASH, BALANCES WITH OTHER BANKS, AND CASH ITEMS IN PROCESS OF COLLECTION

1. Cash items in process of collection and unposted debits drawn on the reporting bank-total (Banks electing to report subitems (a) and (b), or (c) and (c)—see instructions)		203	069	37	1
(a) Cash items in process of collection including exchanges for clearing house (item 1 less subitem (b) or (c)) $ ———	x x x	x x x	x x x	x x	(a)
(b) Actual amount of all unposted debits or single factor—— % of item 20 $ ———	x x x	x x x	x x x	x x	(b)
(c) Separate amount of unposted debits or separate factors:					
(1) Actual amount for Demand Deposits or ——— % of item 11, Schedule E $ ———	x x x	x x x	x x x	x x	(c-1)
(2) Actual amount for Time and Savings Deposits or ——— % of item 12, Schedule F $ ———	x x x	x x x	x x x	x x	(c-2)
2. Demand balances with banks in the United States	1	718	997	45	2
3. Other balances with banks in the United States (including all balances with American branches of foreign banks)			None		3
4. Balances with banks in foreign countries (including balances with foreign branches of other American banks)		709	[illegible]	37	4
5. Currency and coin		[illegible]	[illegible]	[illegible]	5
6. Reserve with Federal Reserve bank	1	[illegible]	[illegible]	55	6
7. Total of items 1 to 6 (must agree with item 1 of "Assets")	4	366	269	74	7

SCHEDULE E—DEMAND DEPOSITS

1. Deposits of mutual savings banks			None		1
2. Deposits of savings and loan associations		91	023	84	2
3. Deposits of other individuals, partnerships, and corporations	11	[illegible]	[illegible]	75	3
4. Total of items 1, 2, and 3 (must agree with item 13 of "Liabilities")	11	[illegible]	[illegible]	[illegible]	4
5. Deposits of United States Government		[illegible]	[illegible]	[illegible]	5
6. Deposits of States and political subdivisions	1	624	[illegible]	73	6
7. Deposits of foreign governments and official institutions, central banks and international institutions			None		7
8. Deposits of commercial banks in the U. S.		41	705	33	8
9. Deposits of banks in foreign countries (including balances of foreign branches of other American banks)			None		9
10. Certified and officers' checks, travelers' checks, letters of credit, etc. (must agree with item 19 of "Liabilities")		3[illegible]	[illegible]	[illegible]	10
11. Total Demand Deposits (items 4 to 10) (must agree with item 20(a) of "Liabilities")	14	141	[illegible]	27	11

SCHEDULE F—TIME AND SAVINGS DEPOSITS

1. Savings deposits	13	980	[illegible]	01	1
2. Deposits accumulated for payment of personal loans			None		2
3. Deposits of mutual savings banks			None		3
4. Deposits of savings and loan associations			None		4
5. Other time deposits of individuals, partnerships, and corporations	1	[illegible]	[illegible]	97	5
6. Total of items 1 to 5 (must agree with item 14 of "Liabilities")	15	[illegible]	[illegible]	[illegible]	6
7. Deposits of United States Government			None		7
8. Deposits of States and political subdivisions	1	169	[illegible]	23	8
9. Deposits of foreign governments and official institutions, central banks and international institutions			None		9
10. Deposits of commercial banks in the United States			None		10
11. Deposits of banks in foreign countries (including balances of foreign branches of other American banks)			None		11
12. Total Time and Savings Deposits (items 6 to 11) (must agree with item 20(b) of "Liabilities")	16	403	[illegible]	23	12

MEMORANDA (Publications required only for items 1 and 3—optional for items 2 and 4)

1. Average of total deposits for the 15 calendar days ending with call date	29	539	[illegible]	36	1
2. Average of total loans for the 15 calendar days ending with call date	20	373	[illegible]	[illegible]	2
3. Loans as shown in item 7 of "Assets" are after deduction of valuation reserves of		378	[illegible]	99	3
4. Securities as shown in item 2-b of "Assets" are after deduction of valuation reserves of			None		4
5. United States Government obligations sold under agreements to repurchase (not included in item 2 of "Assets")			None		5
6. United States Government obligations purchased under agreements to resell (included in item 2 of "Assets")			None		6
7. Obligations of States and political subdivisions sold under agreements to repurchase (not included in item 3 of "Assets")			None		7
8. Obligations of States and political subdivisions purchased under agreements to resell (included in item 3 of "Assets")			None		8

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Form 3120
TREASURY DEPARTMENT
Comptroller of the Currency—Statistical
(Revised November 1961)

(PLEASE FOLD THIS SIDE OUT)

F. R. Dist. No. 10

Charter No. 3178

REPORT OF INCOME AND DIVIDENDS FOR THE YEAR ENDED DEC. 31, 1965

THE FIRST NATIONAL BANK OF GREELEY (Name of bank) P. O. Box 1058 (Street address or P. O. Box)

GREELEY (City or town) WELD (County) COLORADO (State) 80631 (Zip Code No.)

Section A—SOURCES AND DISPOSITION OF INCOME

1. CURRENT OPERATING REVENUE:				
(a) Interest and dividends on: (1) U.S. Government obligations		150	307	88
(2) Other securities		129	535	19
(b) Interest and discount on loans	1	227	340	27
(c) Service charges and other fees on bank's loans		2	948	00
(d) Service charges on deposit accounts		108	057	82
(e) Other service charges, commissions, fees, and collection and exchange charges		6	694	44
(f) Trust department		37	109	55
(g) Other current operating revenue (itemize large amounts)		57	406	36
Interest on Federal funds sold 23,630.59				
(h) Total current operating revenue	1	720	119	51
2. CURRENT OPERATING EXPENSES:				
(a) Salaries—officers (Number on payroll at end of period 13)		166	639	56
(b) Salaries and wages—employees (Number on payroll at end of period 43)		153	282	51
(c) Officer and employee benefits—pensions, hospitalization, social security, insurance, etc		33	555	25
(d) Fees paid to directors and members of executive, discount, and other committees		20	500	00
(e) Interest on time and savings deposits		636	022	77
(f) Interest and discount on borrowed money			None	
(g) Net occupancy expense of bank premises (From Section E, item 10)		66	094	00
(h) Furniture and equipment—depreciation, rents, servicing, uncapitalized costs, etc.		21	376	07
(i) Other current operating expenses (itemize large amounts)		203	738	27
(no cargo item over 25M)				
(j) Total current operating expenses	1	322	810	19
3. NET CURRENT OPERATING EARNINGS (Item 1h minus item 2j)		397	309	32
4. RECOVERIES, TRANSFERS FROM VALUATION RESERVES, AND PROFITS:				
(a) On securities: (1) Profits on securities sold or redeemed		11	525	61
(2) Recoveries			750	00
(3) Transfers from valuation reserves (From item 7, col. 3 of Section D)		1	None 939	76
(b) On loans: (1) Recoveries				
(2) Transfers from valuation reserves (From item 7, cols. 1 and 2 of Section D)			None	
(c) All other (itemize large amounts) Securities: Unamortized portion of premium on bonds 66,602.56; see separate letter		67	052	95
(d) Total recoveries, transfers from valuation reserves, and profits (Items 4a plus 4b plus 4c)		81	263	35
5. LOSSES, CHARGE-OFFS, AND TRANSFERS TO VALUATION RESERVES:				
(a) On securities: (1) Losses on securities sold		1	025	00
(2) Charge-offs on securities not sold			None	
(3) Transfers to valuation reserves (To item 4, col. 3 of Section D)			None	
(b) On loans: (1) Charge-offs			None	
(2) Transfers to valuation reserves (To item 4, cols. 1 and 2 of Section D)		166	880	10
(c) All other (itemize large amounts)		9	601	49
(d) Total losses, charge-offs, and transfers to valuation reserves (Items 5a plus 5b plus 5c)		177	706	07
6. NET INCOME BEFORE RELATED TAXES (Item 3 plus item 4d minus item 5d)		300	871	00
7. TAXES ON NET INCOME: Federal $ 31,023.76 State $ 15,662.74		46	676	50
8. NET INCOME* (Item 6 minus item 7)		254	194	50
9. DIVIDENDS ON CAPITAL:				
(a) Cash dividends declared on common stock:				
Date declared [illegible] 19[illegible], date payable [illegible] 19[illegible] $ 20,000.00				
Date declared [illegible] 19[illegible], date payable [illegible] 19[illegible] $ 20,000.00				
Date declared [illegible] 19[illegible], date payable [illegible] 19[illegible] $ 20,000.00				
Date declared [illegible] 19[illegible], date payable [illegible] 19[illegible] $ 60,000.00		120	000	00
(b) Dividends declared on preferred stock			None	
(c) Total dividends declared		120	000	00
10. NET INCOME* AFTER DIVIDENDS (Item 8 minus item 9c)		134	194	50

*If a loss, indicate by a minus sign or in red.

I, Alejandro M. Gillespie Cashier, of the above-named bank, do hereby certify
(Name of officer authorized to sign report) (Title)
this report of income and dividends (including the information on the reverse side hereof), is true and correct to the best of my knowledge and belief.

January 12, 1966 [signature]
(Date) (Signature of officer authorized to sign report)

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Section F—CHANGES IN CAPITAL ACCOUNTS DU ING YEAR

1. NET INCOME AFTER DIVIDENDS (bring forward item 10 from face side)	$	134	194	50	1
2. OTHER INCREASES IN CAPITAL ACCOUNTS:					2
(a) Common stock (par value) sold (excluding $ None common stock dividends issued)			None		(a)
(b) Common stock (par value) exchanged for stock of other banks incident to mergers, etc			None		(b)
(c) Capital notes and debentures or preferred stock sold (face or par value)			None		(c)
(d) Premium on new capital issued			None		(d)
(e) Additions to surplus, undivided profits, and reserves incident to mergers, etc			None		(e)
(f) All other increases in capital accounts (itemize)			None		(f)
(g) Total other increases in capital accounts			None		2(g)
3. OTHER DECREASES IN CAPITAL ACCOUNTS:					3
(a) Capital notes and debentures or preferred stock retired (face or par value)			None		(a)
(b) Premium paid on preferred stock retired			None		(b)
(c) Reduction in surplus, undivided profits, and reserves incident to mergers, etc			None		(c)
(d) All other decreases in capital accounts (itemize)			None		(d)
(e) Total other decreases in capital accounts			None		3(e)
4. NET CHANGE IN TOTAL CAPITAL ACCOUNTS (Item 1 plus item 2(g) minus item 3(e); indicate net decrease by minus sign or in red. This must agree with the net change at item 6 of Section C)		134	194	50	4

Section C—CAPITAL ACCOUNTS AT BEGINNING AND END OF CURRENT YEAR

The items in this section must agree with the corresponding items in the Condition Reports, if rendered as of the same dates. The items in the first column must agree with the corresponding items for the same date in the preceding Report of Income and Dividends.

	At Beginning of Year	At End of Year	
1. Common stock	$ 1 000 000 00	$ 1 000 000 00	1
2. Capital notes and debentures and preferred stock	None	None	2
3. Surplus	1 000 000 00	1 000 000 00	3
4. Undivided profits	1 466 533 23	1 630 722 73	4
5. Reserve for contingencies, etc	None	None	5
6. Total capital accounts (net change of $134,194.50 during the period) (must agree with item 4 of Section B)	3 466 533 23	3 630 722 73	6

Section D.—RESERVES FOR BAD DEBTS AND OTHER VALUATION RESERVES

	Reserve for Bad Debt Losses and Other Valuation Reserves on Loans			Valuation Reserves on Securities		
	Reserve set up pursuant to Internal Revenue Service Ruling	Other valuation reserves on loans				
1. Balance at beginning of calendar year	$ 351 027 16	$	None	$		None 1
2. Additions due to mergers and absorptions	None		None			None 2
3. Recoveries credited to these reserves	163 940 74		None			None 3
4. Transfers to these reserves (included in item 5 of Section A)	166 889 18		None			None 4
5. Total (Sum of items 1, 2, 3 and 4)	680 856 08		None			None 5
6. Losses charged to these reserves	280 831 09		None			None 6
7. Transfers from these reserves (included in item 4 of Section A)	None		None			None 7
8. Balance at end of year (Sum of first two columns must agree with Schedule A, item 9, of Report of Condition if rendered as of same date)	370 224 99		None			None 8

Section E.—OCCUPANCY EXPENSE OF BANK PREMISES

1. Salaries and wages of building employees:					1
(a) Officers (Number on payroll at end of period None)	$		None		(a)
(b) Employees (Number on payroll at end of period 2)		10	925	00	(b)
2. Building officer and employee benefits			029	01	2
3. Recurring depreciation on bank premises and leasehold improvements		32	541	85	3
4. Maintenance, repairs, and unCapitalized alteration costs of bank premises and leasehold improvements		9	731	77	4
5. Insurance, utilities (heat, light, and water), etc		13	397	84	5
6. Rents paid on bank premises		4	590	00	6
7. Taxes on bank premises and leasehold improvements		33	615	00	7
8. Gross occupancy expense		105	450	55	8
9. Less: (a) Rental income from bank premises $ 59,035.00					
(b) Other credits $ None		59	035	00	9
10. Net occupancy expense (must agree with item 2g of Section A)		46	414	55	10

Section F.—COMPUTATION OF RETAINED PROFITS

1. Net income after dividends (Item 10 of Section A)	$	134	194	50 1
2. Add: (a) Recoveries credited to valuation reserves (Item 3 of Section D) $ 163,940.74				
(b) Transfers to valuation reserves (Item 4 of Section D) $ 166,889.18		335	829	92 2
3. Total (Sum of items 1 and 2)		470	023	42 3
4. Deduct: (a) Losses charged to valuation reserves (Item 6 of Section D) $ 280,831.09				
(b) Transfers from valuation reserves (Item 7 of Section D) $ None		338	831	09 4
5. Profits retained		161	392	33 5

THE COMPTROLLER OF THE CURRENCY • UNITED STATES TREASURY

Call No. 45[illegible]

Any amounts which cannot be properly included in the printed items must be entered under "Other Assets" or "Other Liabilities."

Charter No. 3178

REPORT OF CONDITION of The First National Bank of Greeley, Colo. (Name of bank) P. O. Box 1058 (Street address or P.O. Box)

GREELEY (City or town) Weld (County) Colorado (State) 80632 (Zip Code No.)

at the close of business on December 31 19 64

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	ASSETS	Dollars			Cts.	
1.	Cash, balances with other banks, and cash items in process of collection (Schedule D, item 7)	4	959	417	26	1
2.	United States Government obligations, direct and guaranteed (Net of any reserves) (Schedule B, item 10)	4	091	656	25	2
3.	Obligations of States and political subdivisions (Net of any reserves)	3	447	550	42	3
4.	Other bonds, notes, and debentures (including $ none securities of Federal agencies and corporations not guaranteed by the United States) (Net of any reserves)			none		4
5.	Loans and discounts (Net of any reserves) (Schedule A, item 10)	27	845	400	59	5
6.	Federal funds sold	1	300	000	00	6
7.	Direct lease financing			none		7
8.	Fixed assets		795	349	97	8
9.	Customers' liability to this bank on acceptances outstanding			none		9
10.	Other assets (total of Schedule H)		70	104	42	10
11.	TOTAL ASSETS	32	509	478	91	11
	LIABILITIES					
12.	Demand deposits of individuals, partnerships, and corporations (Schedule E, item 3)	11	655	560	96	12
13.	Time and savings deposits of individuals, partnerships, and corporations (Schedule F, item 8)	13	748	641	20	13
14.	Deposits of U.S. Government (Schedule E, item 4, and Schedule F, item 8)		137	995	54	14
15.	Deposits of States and political subdivisions (Schedule E, item 5, and Schedule F, item 7)	2	849	396	71	15
16.	Deposits of banks (Schedule E, items 6 and 7, and Schedule F, items 9 and 9)		14	860	44	16
17.	Certified and officers' checks, etc. (Schedule E, item 8)		304	262	21	17
18.	TOTAL DEPOSITS (items 12 to 17) $28,710,740.06					18
	(a) Total demand deposits (Schedule E, item 9) $13,778,314.56 (Amounts not to be extended.)					(a)
	(b) Total time and savings deposits (Schedule F, item 10) $14,932,425.50					(b)
19.	Rediscounts and other liabilities for borrowed money			none		19
20.	Federal funds purchased			none		20
21.	Acceptances executed by or for account of this bank and outstanding			none		21
22.	Other liabilities (total of Schedule I)		332	280	62	22
23.	TOTAL LIABILITIES	29	042	940	68	23
	CAPITAL ACCOUNTS					
24.	Debentures			none		24
25.	Preferred stock—par value per share $ —		XXX	XXX		
	No. shares outstanding none Total par value			none		25
26.	Common stock—par value per share $ 10.00		XXX	XXX		
	No. shares authorized 100,000		XXX	XXX		
	No. shares unissued none		XXX	XXX		
	No. shares outstanding 100,000 Total par value	1	000	000	00	26
27.	Surplus	1	000	000	00	27
28.	Undivided profits	1	466	538	23	28
29.	Reserves			none		29
30.	TOTAL CAPITAL ACCOUNTS	3	466	538	23	30
31.	TOTAL LIABILITIES AND CAPITAL ACCOUNTS	32	509	478	91	31

I, Alejandro Murray Gillespie, Cashier (Name and title of officer authorized to sign report), of the above-named bank do hereby declare that this report of condition, including the information below and on the reverse side hereof, is true and correct to the best of my knowledge and belief.

(Signature of officer authorized to sign report)

We, the undersigned directors attest the correctness of this report of condition, including the information below and on the reverse side hereof. We declare that it has been examined by us, to the best of our knowledge and belief is true and correct, and that it has been or will be published in the manner prescribed by Section 5211 U.S.R.S., (12. U.S.C., sec. 161), within fifteen days from the date of receipt of the call for report of condition by the Comptroller of the Currency.

NOTE: This report must be signed by an authorized officer, attested by not less than three directors other than the officer signing the report and forwarded within ten days after receipt of call. The Comptroller of the Currency must be promptly notified if publication has not been made within the time specified.

Directors.

SCHEDULE FDI—OTHER DATA FOR DEPOSIT INSURANCE ASSESSMENTS

1.	Uninvested trust funds (cash) held in bank's own trust department				none		1
2.	Unposted credits (see Instructions):	XXX	XXX	XXX	XXX	XXX	2
	(a) Actual amount of all unposted credits or single factor = % of item 18				none		(a)
	OR						
	(b) Separate amount of unposted credits or separate factors:						
	(1) Actual amount for Demand Deposits or = % of item 9, Schedule E				none		(b-1)
	(2) Actual amount for Time and Savings Deposits or = % of item 10, Schedule F				none		(b-2)

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SCHEDULE A—LOANS AND DISCOUNTS (including overdrafts) (See Instructions, §130.4)

	Dollars	Cts	
1. Real estate loans (exclude all loans secured by real estate, whatever the purpose):			1
(a) Secured by farm land (including improvements)	1 351	24	(a)
(b) Secured by residential properties (other than farm) and insured by Federal Housing Administration	36	35	(b)
(c) Secured by residential properties (other than the two) and insured or guaranteed by Veterans' Administration	25	00	(c)
(d) Secured by residential properties (other than farm) and not insured or guaranteed by FHA or VA	569	67	(d)
(e) Secured by nonfarm nonresidential properties (e.g., loans, inland bank, city buildings, docks)	1 537	399	(e)
2. Loans to financial institutions:		none	2
(a) To domestic commercial and foreign banks		none	(a)
(b) To other financial institutions (include loans to sales finance, personal finance, insurance and mortgage companies, factors, mutual savings banks, savings and loan assns., Federal lending agencies, and all other business and personal credit agencies)	505	00	(b)
3. Loans for purchasing or carrying securities (secured or unsecured):		none	3
(a) To brokers and dealers in securities		none	(a)
(b) Other loans for the purpose of purchasing or carrying stocks, bonds, and other securities			4
4. Loans to farmers (include secured and unsecured loans to farmers, except loans secured by real estate shown)	38	07	(a)
(a) Loans directly guaranteed by the Commodity Credit Corporation and evidenced by obligations representing commodity loans	6 219	200	38
(b) Other loans to farmers (include loans to livestock and personal expenditures, except loans secured by real estate)	5 209	675	36
5. Commercial and industrial loans (exclude all loans for nonagricultural and industrial purposes, secured or unsecured, except those secured by real estate shown)			5
6. Loans to individuals for household, farm, and other personal expenditures (exclude loans, lines of credit, and revolving credit plans secured by real estate)			6
(a) To purchase private passenger automobiles on an installment basis (exclude purchased paper)	1 379	315	73
(b) To purchase other retail consumer goods on installment basis (exclude purchased paper)		111	062	35
(c) Installment loans to repair and modernize residential property		357	287	52
(d) Other installment loans for household, family, and other personal expenditures		219	937	66
(e) Single-payment loans for household, family, and other personal expenditures		907	231	01
7. All other loans (incl. overdrafts). (To finance, brokers, dealers in securities, and others)		230	511	00
8. Loans and Discounts, Gross (total of items 1 to 7)	18	196	427	75
9. Less reserve for bad debts, unallocated charge-offs, and other valuation reserves		351	027	16
10. Loans and Discounts, Net (item 8 minus item 9) (must agree with item 3 of "Assets")	17	845	400	59
MEMORANDUM				10
11. Total amount of loans or portions thereof which are fully backed or insured by agencies of the United States Government (not the amount of FHA Title I loans fully covered by insurance reserves)		359	197	18

SCHEDULE B—UNITED STATES GOVERNMENT OBLIGATIONS, DIRECT AND GUARANTEED

1. Treasury bills		none	1
2. Treasury certificates of indebtedness		none	2
3. Treasury notes:			3
(a) Maturing within 1 year from date of call report	794	513	75 (a)
(b) Maturing after 1 year from date of call report	1 021	000	00 (b)
4. United States nonmarketable bonds (series F & G, continued from § 602, § 603-B, and depositary bonds)	25	000	00 4
5. Other United States bonds maturing within 1 year from date of call report		none	5
6. Other United States bonds maturing after 1 but within 5 years from date of call report	1 131	000	00 6
7. Other United States bonds maturing after 5 but within 10 years from date of call report	737	137	50 7
8. United States bonds maturing after 10 years from date of call report	100	000	00 8
9. Securities guaranteed by U. S. Government		none	9
10. TOTAL UNITED STATES GOVERNMENT OBLIGATIONS (must agree with item 2 of "Assets")	4 091	656	25 10

SCHEDULE D—CASH, BALANCES WITH OTHER BANKS, AND CASH ITEMS IN PROCESS OF COLLECTION

1. Cash items in process of collection and unposted debits drawn on the reporting bank (total (Bank's election to report exclusions (a) and (b), or (a) and (c)—see Instructions))	450	322	97	1
(a) Cash items in process of collection (including exchanges for clearing house (item 1 less subitem (b) or (c))				(a)
(b) Actual amount of all unposted debits or single factor = % of item 18				(b)
(c) Separate amount of unposted debits or separate factors				(c)
(1) Actual amount for Demand Deposits or = % of item 8, Schedule E				(c-1)
(2) Actual amount for Time and Savings Deposits or = % of item 10, Schedule F				(c-2)
2. Demand balances with banks in the United States	2 700	135	42	2
3. Other balances with banks in the United States (including items held for clearing house and foreign branches of foreign banks)		none		3
4. Balances with banks in foreign countries (including balances with foreign branches of other American banks)		none		4
5. Currency and coin	134	659	56	5
6. Reserve with Federal Reserve Bank	1 376	323	31	6
7. TOTAL of items 1 to 6 (must agree with item 1 of "Assets")	4 959	117	26	7

SCHEDULE E—DEMAND DEPOSITS

1. Deposits of individuals, partnerships, and corporations	13	665	560	96	1
2. Deposits of foreign governments and official institutions, central banks and international institutions			none		2
3. TOTAL of items 1 and 2 (must agree with item 12 of "Liabilities")	13	665	560	96	3
4. Deposits of United States Government		137	525	54	4
5. Deposits of States and political subdivisions	1	645	635	42	5
6. Deposits of banks in the U.S. (including $ none deposits of mutual savings banks)		11	900	14	6
7. Deposits of banks in foreign countries (including balances of foreign branches of other American banks)			none		7
8. Certified and officers' checks, travelers' checks, letters of credit, etc. (not applicable to banks in foreign countries)			5 12		8
9. TOTAL DEMAND DEPOSITS (items 3 to 8) (must agree with item 10 (a) of "Liabilities")	13	77	3	53	9

SCHEDULE F—TIME AND SAVINGS DEPOSITS

1. Savings deposits	13	343	114	61	1
2. Deposits accumulated for payment of personal loans			none		2
3. Other time deposits of individuals, partnerships, and corporations		467	540	59	3
4. Deposits of foreign governments and official institutions, central banks and international institutions			none		4
5. TOTAL of items 1 to 4 (must agree with item 13 of "Liabilities")	13	768	654	20	5
6. Deposits of United States Government $ none postal savings deposits $ none			none		6
7. Deposits of States and political subdivisions	1	200	700	00	7
8. Deposits of banks in the United States (including $ none deposits of mutual savings banks)			none		8
9. Deposits of banks in foreign countries (including balances of foreign branches of other American banks)			none		9
10. TOTAL TIME AND SAVINGS DEPOSITS (items 5 to 9) (must agree with item 15 (b) of "Liabilities")	14	932	105	50	10

SCHEDULE G—OTHER ASSETS

1. Securities borrowed		none	1
2. Income earned or accrued but not collected	3	541	72	2
3. Insurance and other expenses prepaid	6	557	70	3
4. Cash items not in process of collection		none		4
5. All other (itemize) Cash items, n.e.c.		3	00	5
Certain Co. Assn. Coll. Acct. Corp.		2	00	
Federal Reserve Bank Stock	60	000	00	
6. TOTAL (must agree with item 11 of "Assets")	70	38		6

SCHEDULE I—OTHER LIABILITIES

1. Securities borrowed		none	1
2. Dividends declared but not yet payable		none	2
3. Income collected but not earned	154	373	93	3
4. Expenses accrued and unpaid	147	824	79	4
5. Amounts due Federal Reserve Bank (transit account)		none		5
6. All other (itemize)				6
7. TOTAL (must agree with item 16 of "Liabilities")	332	205	72	7

Form 1135
TREASURY DEPARTMENT
Comptroller of the Currency Washington
(Revised November 1961)

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F. R. Dist. No. 10

Charter No. 3178

REPORT OF INCOME AND DIVIDENDS FOR THE YEAR ENDED DEC. 31, 19 64

The First National Bank of Greeley, Colorado (Name of bank) P. O. Box 1058 (Street address or P. O. Box)

GREELEY (City or town) Weld (County) Colorado (State) 80632 (Zip Code No.)

Section A—SOURCES AND DISPOSITION OF INCOME				
1. CURRENT OPERATING REVENUE:				
(a) Interest and dividends on: (1) U.S. Government obligations		177	954	39
(2) Other securities		115	276	66
(b) Interest and discount on loans	1	213	331	61
(c) Service charges and other fees on bank's loans		3	025	00
(d) Service charges on deposit accounts		106	756	15
(e) Other service charges, commissions, fees, and collection and exchange charges		8	380	14
(f) Trust department		35	099	10
(g) Other current operating revenue (itemize large amounts) Interest on Federal Funds Sold 3,62.51 Safe Deposit and After-Hour 7,055.00		20	071	17
(h) Total current operating revenue	1	679	614	72
2. CURRENT OPERATING EXPENSES:				
(a) Salaries—officers (Number on payroll at end of period 17)		177	018	11
(b) Salaries and wages—employees (Number on payroll at end of period 42)		146	611	46
(c) Officer and employee benefits—pensions, hospitalization, social security, insurance, etc		37	820	86
(d) Fees paid to directors and members of executive, discount, and other committees		16	400	00
(e) Interest on time and savings deposits		587	730	31
(f) Interest and discount on borrowed money			none	
(g) Net occupancy expense of bank premises (From Section E, item 10)		45	954	60
(h) Furniture and equipment—depreciation, rents, servicing, unamortized costs, etc		21	583	12
(i) Other current operating expenses (itemize large amounts) Interest on Federal Funds Purchased 25,383.79		155	029	19
(j) Total current operating expenses	1	228	980	65
3. NET CURRENT OPERATING EARNINGS (Item 1h minus item 2j)		450	634	07
4. RECOVERIES, TRANSFERS FROM VALUATION RESERVES, AND PROFITS:				
(a) On securities: (1) Profits on securities sold or redeemed		6	287	72
(2) Recoveries		2	450	40
(3) Transfers from valuation reserves (From item 7, col. 3 of Section D)			none	
(b) On loans: (1) Recoveries		1	392	61
(2) Transfers from valuation reserves (From item 7, cols. 1 and 2 of Section D)			none	
(c) All other (itemize large amounts)			150	00
(d) Total recoveries, transfers from valuation reserves, and profits (Items 4a plus 4b plus 4c)		10	280	73
5. LOSSES, CHARGE-OFFS, AND TRANSFERS TO VALUATION RESERVES:				
(a) On securities: (1) Losses on securities sold			none	
(2) Charge-offs on securities not sold		6	849	15
(3) Transfers to valuation reserves (To item 4, col. 3 of Section D)			none	
(b) On loans: (1) Charge-offs			none	
(2) Transfers to valuation reserves (To item 4, cols. 1 and 2 of Section D)		139	283	44
(c) All other (itemize large amounts) on Other Real Estate Owned 8,200.00,		10	187	32
(d) Total losses, charge-offs, and transfers to valuation reserves (Items 5a plus 5b plus 5c)		156	319	91
6. NET INCOME BEFORE RELATED TAXES (Item 3 plus item 4d minus item 5d)		311	794	89
7. TAXES ON NET INCOME: Federal $ 52,118.21 State $ 16,166.29		108	613	50
8. NET INCOME* (Item 6 minus item 7)		206	181	39
9. DIVIDENDS ON CAPITAL:				
(a) Cash dividends declared on common stock:				
Date declared [illegible], 19[illegible], date payable [illegible], 1964 $ 30,000.-				
Date declared [illegible], 19[illegible], date payable [illegible], 1964 $ 30,000.-				
Date declared [illegible], 19[illegible], date payable [illegible], 1964 $ 30,000.-				
Date declared [illegible], 19[illegible], date payable [illegible], 1964 $ 30,000.-		120	000	00
(b) Dividends declared on preferred stock			none	
(c) Total dividends declared		120	000	00
10. NET INCOME* AFTER DIVIDENDS (Item 8 minus item 9c)		86	181	39

* If a loss, indicate by a minus sign or in red.

I, Alejandro Murray Gillespie Cashier, of the above-named bank, do hereby certify that this report of income and dividends (including the information on the reverse side hereof), is true and correct to the best of my knowledge and belief.

January 12, 1965 (Date)

(Signature of officer authorized to sign report)

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Section B.—CHANGES IN CAPITAL ACCOUNTS DURING YEAR

1. NET INCOME AFTER DIVIDENDS (bring forward item 10 from face side)	$	86	181	39	1
2. OTHER INCREASES IN CAPITAL ACCOUNTS:					2
(a) Common stock (par value) sold (excluding $ none common stock dividends issued)			none		(a)
(b) Common stock (par value) exchanged for stock of other banks incident to mergers, etc			none		(b)
(c) Preferred stock sold (par value)			none		(c)
(d) Premium on new capital issued			none		(d)
(e) Additions to surplus, undivided profits, and reserves incident to mergers, etc			none		(e)
(f) All other increases in capital accounts (itemize)			none		(f)
(g) Total other increases in capital accounts			none		2(g)
3. OTHER DECREASES IN CAPITAL ACCOUNTS:					3
(a) Preferred stock retired (par value)			none		(a)
(b) Premium paid on preferred stock retired			none		(b)
(c) Reduction in surplus, undivided profits, and reserves incident to mergers, etc			none		(c)
(d) All other decreases in capital accounts (itemize)			none		(d)
(e) Total other decreases in capital accounts			none		3(e)
4. NET CHANGE IN TOTAL CAPITAL ACCOUNTS (item 1 plus item 2(g) minus item 3(e); indicate net decrease by minus sign or in red. This must agree with the net change at item 6 of Section C)		86	181	39	4

Section C.—CAPITAL ACCOUNTS AT BEGINNING AND END OF CURRENT YEAR

The items in this section must agree with the corresponding items in the Condition Reports, if rendered as of the same dates. The items in the first column must agree with the corresponding items for the same date in the preceding Report of Income and Dividends.

	At Beginning of Year				At End of Year				
1. Common stock	$1	000	000	00	$1	000	000	00	1
2. Preferred stock			none				none		2
3. Surplus	1	000	000	00	1	000	000	00	3
4. Undivided profits	1	380	356	84	1	466	538	23	4
5. Reserve for contingencies, etc			none				none		5
6. Total capital accounts (net change of $ 86,181.39 during the period) (must agree with item 4 of Section B)	3	380	356	84	3	466	538	23	6

Section D.—RESERVES FOR BAD DEBTS AND OTHER VALUATION RESERVES

	Reserve for Bad Debt Losses and Other Valuation Reserves on Loans: Reserve set up pursuant to Internal Revenue Bureau 6209 (See note below*)	Reserve for Bad Debt Losses and Other Valuation Reserves on Loans: Other valuation reserves on loans	Valuation Reserves on Securities	
Balance at beginning of calendar year	$ 361 152 52	$ none	$ none	1
Additions due to mergers and absorptions	none	none	none	2
Recoveries credited to these reserves	15 768 28	none	none	3
Transfers to these reserves (included in item 5 of Section A)	139 283 44	none	none	4
Total (Sum of items 1, 2, 3 and 4)	516 204 24	none	none	5
Losses charged to these reserves	165 177 08	none	none	6
Transfers from these reserves (included in item 4 of Section A)	none	none	none	7
Balance at end of year (Sum of first two columns must agree with Schedule A, item 9, of Report of Condition if rendered as of same date)	351 027 16	none	none	8

*Set up pursuant to Bureau 6209 issued December 3, 1947, and amendments under Section 166(c) of the Internal Revenue Code.

Section E.—OCCUPANCY EXPENSE OF BANK PREMISES

Salaries and wages of building employees					1
(a) Officers (Number on payroll at end of period none)		$	none		(a)
(b) Employees (Number on payroll at end of period 4)		10	105	03	(b)
Building officer and employee benefits			882	26	2
Recurring depreciation on bank premises and leasehold improvements		33	817	02	3
Maintenance, repairs, and uncapitalized alteration costs of bank premises and leasehold improvements		9	425	80	4
Insurance, utilities (heat, light, and water), etc		14	784	44	5
Rents paid on bank premises		2	550	00	6
Taxes on bank premises and leasehold improvements		34	187	96	7
Gross occupancy expense		105	752	51	8
Less: (a) Rental income from bank premises $ 39,797.91					
(b) Other credits $ none		39	797	91	9
Net occupancy expense (must agree with item 2g of Section A)		65	954	60	10

Section F.—COMPUTATION OF RETAINED PROFITS

Net income after dividends (Item 10 of Section A)		$	86	181	39	1
Add: (a) Recoveries credited to valuation reserves (Item 3 of Section D)	$ 15,768.28					
(b) Transfers to valuation reserves (Item 4 of Section D)	$ 139,283.44		155	051	72	2
Total (Sum of items 1 and 2)			241	233	11	3
Deduct: (a) Losses charged to valuation reserves (Item 6 of Section D)	$ 165,177.08					
(b) Transfers from valuation reserves (Item 7 of of Section D)	$ none		165	177	08	4
Profits retained			76	056	03	5

Form 2130
TREASURY DEPARTMENT
COMPTROLLER OF THE CURRENCY, WASHINGTON
(Revised November 1963)

(PLEASE FOLD THIS SIDE OUT)

F. R. Dist. No. 10

Charter No. 3178

REPORT OF INCOME AND DIVIDENDS FOR THE YEAR ENDED DEC. 31, 19 64

The First National Bank of Greeley, Colorado (Name of bank) P. O. Box 1058 (Street address or P. O. Box)

GREELEY (City or town) Weld (County) Colorado (State) 80632 (Zip Code No.)

Section A—SOURCES AND DISPOSITION OF INCOME					
1. CURRENT OPERATING REVENUE:					
(a) Interest and dividends on: (1) U.S. Government obligations		177	954	39	
(2) Other securities		115	276	66	
(b) Interest and discount on loans	1	213	331	61	
(c) Service charges and other fees on bank's loans		3	025	00	
(d) Service charges on deposit accounts		106	756	15	
(e) Other service charges, commissions, fees, and collection and exchange charges		8	380	14	
(f) Trust department		35	039	40	
(g) Other current operating revenue (itemize large amounts) Interest on Federal Funds Sold 3,662.51 Safe Deposit and After-Hour 7,035.00		20	951	27	
(h) Total current operating revenue	1	679	814	72	1h
2. CURRENT OPERATING EXPENSES:					
(a) Salaries—officers (Number on payroll at end of period 37)		177	018	11	
(b) Salaries and wages—employees (Number on payroll at end of period 42)		146	441	46	
(c) Officer and employee benefits—pensions, hospitalization, social security, insurance, etc.		37	820	86	
(d) Fees paid to directors and members of executive, discount, and other committees		16	400	00	
(e) Interest on time and savings deposits		587	739	31	
(f) Interest and discount on borrowed money			none		
(g) Net occupancy expense of bank premises (From Section E, item 10)		65	954	60	
(h) Furniture and equipment—depreciation, rents, servicing, unamortized costs, etc.		21	583	12	
(i) Other current operating expenses (itemize large amounts) Interest on Federal Funds Purchased 25,363.79		165	829	19	
(j) Total current operating expenses	1	218	980	65	2j
3. NET CURRENT OPERATING EARNINGS (Item 1h minus item 2j)		460	834	07	3
4. RECOVERIES, TRANSFERS FROM VALUATION RESERVES, AND PROFITS:					
(a) On securities: (1) Profits on securities sold or redeemed		6	287	72	
(2) Recoveries		2	459	40	
(3) Transfers from valuation reserves (From item 7, col. 3 of Section D)			none		
(b) On loans: (1) Recoveries		1	392	61	
(2) Transfers from valuation reserves (From item 7, cols. 1 and 2 of Section D)			none		
(c) All other (itemize large amounts)			150	00	
(d) Total recoveries, transfers from valuation reserves, and profits (Items 4a plus 4b plus 4c)		10	289	73	4d
5. LOSSES, CHARGE-OFFS, AND TRANSFERS TO VALUATION RESERVES:					
(a) On securities: (1) Losses on securities sold			none		
(2) Charge-offs on securities not sold		6	849	15	
(3) Transfers to valuation reserves (To item 4, col. 3 of Section D)			none		
(b) On loans: (1) Charge-offs			none		
(2) Transfers to valuation reserves (To item 4, cols. 1 and 2 of Section D)		139	283	44	
(c) All other (itemize large amounts) on Other Real Estate Owned 9,200.00.		10	187	32	
(d) Total losses, charge-offs, and transfers to valuation reserves (Items 5a plus 5b plus 5c)		156	319	91	5d
6. NET INCOME BEFORE RELATED TAXES (Item 3 plus item 4d minus item 5d)		314	794	89	6
7. TAXES ON NET INCOME: Federal $ 52,148.21					
State $ 16,165.29		108	613	50	7
8. NET INCOME* (Item 6 minus item 7)		206	181	39	8
9. DIVIDENDS ON CAPITAL:					
(a) Cash dividends declared on common stock:					
Date declared Mar. 2 19[illegible], date payable Mar. 31 19 64 $ 30,000.-					
Date declared Jun. 11 19[illegible], date payable Jun. 30 19 64 $ 30,000.-					
Date declared Sep. 10 19[illegible], date payable Sep. 30 19 64 $ 30,000.-					
Date declared Dec. 10 19[illegible], date payable Dec. 31 19 64 $ 30,000.-		120	000	00	
(b) Dividends declared on preferred stock			none		
(c) Total dividends declared		120	000	00	9c
10. NET INCOME* AFTER DIVIDENDS (Item 8 minus item 9c)		86	181	39	10

* If a loss, indicate by a minus sign or in red.

I, Alejandro Murray Gillespie Cashier (Name of officer authorized to sign report) (Title), of the above-named bank, do hereby certify that this report of income and dividends (including the information on the reverse side hereof), is true and correct to the best of my knowledge and belief.

January 12, 1965 (Date)

(Signature of officer authorized to sign report)

POOR COPY

SUMMARY OF DEPOSITS

As of the close of business June 29, 1968

INSURED

If all deposits of this office are combined with those of the main office or another branch office, please indicate the name and address of such office:

...ne and Address of Bank

FIRST NATIONAL BANK OF GREELEY
...ELEY, COLORADO
80632 00531

S/BK 05 0000
COUNTY 062
SMSA 000

CERT.=03024-4 BR.=0000

TYPE OF DEPOSIT	SIZE OF ACCOUNT	NUMBER OF ACCOUNTS			AMOUNT OF DEPOSITS (Dollars (Omit cents))			
...and deposits of individuals, partner-...s, and corporations (exclude trust ...s of own trust department).	$1,000.00 or less	a	5	453	h	1	360	446
	$1,000.01 to $10,000.00	b	1	463	i	4	027	430
	$10,000.01 to $15,000.00	c		45	j		545	125
	$15,000.01 to $25,000.00	d		41 [illegible]	k		771	072
	$25,000.01 to $100,000.00	e		40	l	1	774	913
	$100,000.01 or more	f		7	m	2	030	528
	Total	g	7	049	n	10	509	514
...ings deposits (exclude trust funds of ...trust department).	$1,000.00 or less	a	5	145	h		814	621
	$1,000.01 to $10,000.00	b	1	516	i	5	143	379
	$10,000.01 to $15,000.00	c		174	j	2	077	287
	$15,000.01 to $25,000.00	d		51	k		954	888
	$25,000.01 to $100,000.00	e		27	l		940	064
	$100,000.00 or more	f		1	m		249	537
	Total	g	6	914	n	10	179	776
...e deposits of individuals, partner-...ps," and corporations (exclude trust ...ds of own trust department).	$1,000.00 or less	a		377	h		266	149
	$1,000.01 to $10,000.00	b		871	i	4	650	516
	$10,000.01 to $15,000.00	c		95	j	1	262	057
	$15,000.01 to $25,000.00	d		39	k		794	109
	$25,000.01 to $100,000.00	e		14	l		703	852
	$100,000.01 or more	f		2	m		322	337
	Total	g	1	398	n	7	999	020
...posits of States and political sub-...visions.	$1,000.00 or less	a		6	h		4	430
	$1,000.01 to $10,000.00	b		13	i		70	076
	$10,000.01 to $15,000.00	c		2	j		25	340
	$15,000.01 to $25,000.00	d		none	k			none
	$25,000.01 to $100,000.00	e		26	l	1	551	485
	$100,000.01 or more	f		11	m	3	424	628
	Total	g		58	n	5	075	959
...ll other deposits (include, "Deposits of ...S. Government," "Deposits of do-...estic and foreign banks," "Trust funds ...recorded in own trust department," ...Outstanding bank drafts," and other ...iscellaneous deposits). For definition ...e General Instructions.	$1,000.00 or less	a		659	h		91	156
	$1,000.01 to $10,000.00	b		119	i		378	885
	$10,000.01 to $15,000.00	c		6	j		77	284
	$15,000.01 to $25,000.00	d		12	k		212	992
	$25,000.01 to $100,000.00	e		11	l		632	506
	$100,000.01 or more	f		5	m	1	098	372
	Total	g		812	n	2	491	195
...otal deposits (total of items 1 through 5).	$1,000.00 or less	a	11	640	h	2	536	802
	$1,000.01 to $10,000.00	b	3	982	i	14	270	286
	$10,000.01 to $15,000.00	c		322	j	3	987	093
	$15,000.01 to $25,000.00	d		143	k	2	733	061
	$25,000.01 to $100,000.00	e		118	l	5	602	820
	$100,000.01 or more	f		26	m	7	125	402
	Total	g	16	231	n	36	255	464

Please read carefully the accompanying "Instructions for the Preparation of Summary of Deposits." For each item include all deposit liabilities even though some may be excluded from deposits for

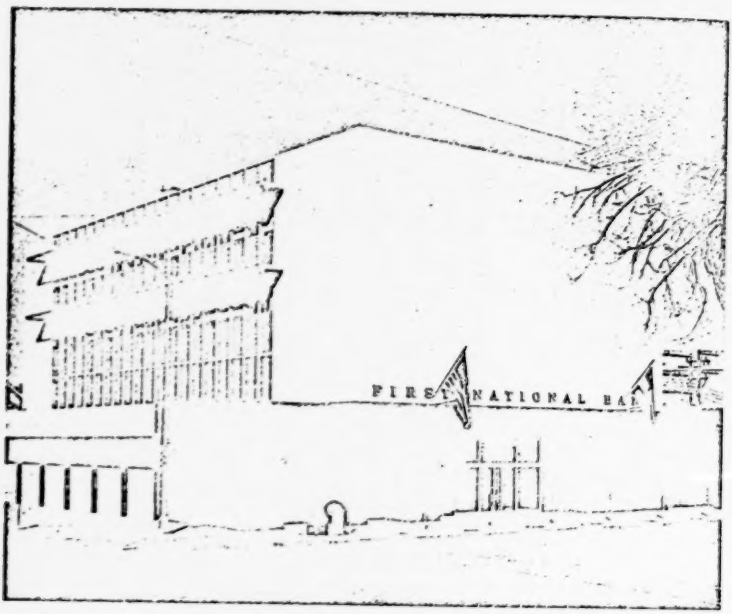
The above statement is correct to the best of my knowledge and belief.

A. H. Gillespie
Vice President, & Cashier

(Signature of Bank Officer)

MAIN OFFICE

Annual Report 1968



The First National Bank

Greeley, Colorado

PRESIDENT'S LETTER TO THE SHAREHOLDERS

o Our Shareholders:

It is my pleasure to report to you that your nk has had another extremely successful year. you will note later on in this report, detailed gures are presented for your review pertaining 1968 as well as important data pertaining to ior years. Significantly, however, I would like specifically report that net operating earnings er all taxes and expenses were $3.29 per share ed on 150,000 shares outstanding. This com- es very favorably with prior years.

For many years, this bank's accounting has n done on a strictly cash basis; however, we now in the process of converting our major ome and expense items to an accrual basis as eans of providing more meaningful compari- s between accounting periods, with the goal of pleting the conversion during 1969. As a part his, the Reconcilement of Capital Accounts e elsewhere in this report shows that interest ued on Commercial Loans at close of business ember 31, 1967, but computed after the end he year and amounting to $233,712.00, was d to Undivided Profits in 1968.

For the year 1968, our bank paid to its share- ers a total of $186,000.00 in cash dividends, first dividend of $.30 being paid on 120,000 es, second and third dividends of $.30 each being paid on 150,000 shares and a $.40 dividend paid on the 15th of December on 150,000 shares.

Effective the first of April 1968, you received a 25 per cent stock dividend which increased the capital of your bank from $1,200,000.00 to $1,- 500,000.00. This is consistent with your bank's desire to be evermindful of the need for periodic increases in our capital structure to enable us to properly service the increasing demands of our fine borrowing accounts.

The staff of your bank continues to grow, and as President I am extremely proud of the fine efforts put forth by all of our staff members during the past year. Actually, in any organization of our size, there are changes. And though we regret having some of our older staff members leave us, we recognize that circumstances frequently dictate these changes. In this regard, I wish to report that Charles G. Carlson resigned as Vice President of the bank effective October 1, 1968. Chuck now represents the B. J. Lind & Company out of Chicago, dealing in the commodities market with his office located in the Producers' Livestock Sale Building. Mrs. LoRee Riggs, who had been with the bank for fourteen years, Mrs. Dorothy Blehm, who had been with the bank for twelve years, and Mrs. Leona Plowman, who had been with the bank for eleven years, all resigned during 1968 to spend more time at home. We are sorry to lose the people mentioned as well as other staff members with shorter tenure, but know that we have obtained excellent replacements who will serve you equally well.

I would like to announce that Mr. James B. Gronstal, formerly Executive Vice President of The First National Bank of Fort Morgan, joined our staff in October of 1968 as a Commercial Loan Officer. We feel very fortunate to have someone with Jim's lifetime background in the banking business now associated with our bank and available to serve you and our many customers.

As many of you may have observed and as is more fully explained later on in this report, your bank has embarked upon a major remodeling, redecorating and renovation program. We are looking forward to the end results when this period of inconvenience is ended and know that you will

be proud of the changes that are being made in our banking quarters.

1968 was certainly an interesting year in the banking industry. Money market fluctuations were extreme. Money costs reached all time high levels, necessitating many changes in interest rates to borrowing accounts, as well as many changes in the bank's investment account in government and municipal bonds.

Predictions for 1969, at this point, appear to be unsettled with the very real possibility that these rates may increase beyond present levels. We recognize that this certainly puts a squeeze on local businessmen, local feeders, and local farmers. As their costs rise, the ability to realize a reasonable profit in their operations decreases. This same situation is true in the banking industry. With inflationary trends as they were in 1968 of approximately 4.2% for the year and at an annual level in excess of that during the last three months of 1968, operating costs increased proportionately. As each of you is well aware, all of the operating costs within the banking business are rising as rapidly as in most other businesses. This requires a reassessment of reasonable charges for our services, as well as proper lending rates in order to provide the additional revenue necessary to cover these increased costs.

The bank's staff is well aware of these problems and will do everything possible to offer the best service and advice to assist our customers in making sound financial decisions.

As everyone in the community knows, the relocation of a major Eastman Kodak facility, south of Windsor, should have tremendous impact upon the economy of northern Colorado. We are eagerly awaiting the development of this facility and hope to be of service to all of those associated with this fine company.

Speaking on behalf of your Board of Directors and your bank's staff, I wish to thank you for the help you have given us during the past year.

We are looking forward to 1969, and once again solicit your suggestions on ways we may improve our services. We further hope that you will recommend The First National Bank to your friends, business associates, and new citizens and businesses locating in our area. Our desire is to provide safe, competent, full-service banking to Greeley and northern Colorado.

Our sincerest wishes for a very successful 1969.

Sincerely,

Robert M. Gilbert

ROBERT M. GILBERT
President

Bank FIRST ... Right Now!

BALANCE SHEET

December 31

RESOURCES	1968	1967
Cash and due from banks	$ 4,857,307	$ 6,229,004
United States Government obligations	4,113,108	4,068,309
Obligations of States and political subdivisions	7,076,606	6,659,838
Other securities	90,000	75,000
Loans, less reserve for loan losses	25,214,918	23,016,412
Bank premises and equipment	945,217	913,843
Other Assets	431,051	123,614
Total Resources	$ 42,728,207	$ 41,086,020
LIABILITIES		
Demand deposits	$ 14,273,323	$ 15,101,800
Time deposits	22,669,273	20,681,356
Total deposits	36,942,596	35,783,156
Federal Funds purchased	1,000,000	1,000,000
Other Liabilities	365,474	409,394
Total Liabilities	$ 38,308,070	$ 37,192,550
CAPITAL ACCOUNTS		
Capital Stock — common — total par value (150,000 shares authorized and outstanding at end of 1968)	$ 1,500,000	$ 1,200,000
Surplus	1,500,000	1,500,000
Undivided Profits	1,420,137	1,193,470
Total Capital Accounts	$ 4,420,137	$ 3,893,470
TOTAL LIABILITIES AND CAPITAL	$ 42,728,207	$ 41,086,020

Use Your BankAmericard

STATEMENT OF EARNINGS

	1968	1967
OPERATING INCOME		
Interest and fees on loans	$ 1,776,420	$ 1,601,746
Interest and dividends on		
U.S. Government Obligations	220,185	161,178
Obligations of States and political subdivisions	230,720	171,620
Other securities	5,152	4,500
Service charges on deposit accounts	125,468	111,557
Trust Department	61,271	64,572
Other operating income	120,514	77,261
Total operating income	$ 2,539,730	$ 2,192,434
OPERATING EXPENSES		
Salaries and bonuses	$ 434,668	$ 407,782
Pensions, profit sharing, and other employee benefits	79,195	79,368
Interest on deposits	969,747	856,704
Interest on borrowed money	1,658	1,775
Net occupancy — bank premises	65,581	57,352
Equipment rentals, depreciation, maintenance	32,975	28,828
Other operating expense	300,814	209,297
Total operating expense	$ 1,884,638	$ 1,641,106
OPERATING EARNINGS BEFORE INCOME TAXES	$ 655,092	$ 551,328
INCOME TAXES APPLICABLE TO OPERATING EARNINGS	$ 161,390	$ 181,346
NET OPERATING EARNINGS	$ 493,702	$ 369,982
Per share	$3.29	$3.08
NON-OPERATING ADDITIONS, NET AFTER TAX EFFECT		
Net security profits	$ 29,181	$ 64,662
Loan recoveries not credited to reserve	198	452
Other	—	20,016
	$ 29,379	$ 85,130
NON-OPERATING DEDUCTIONS, NET AFTER TAX EFFECT		
Transfer to reserve for Loan Losses	$ 32,336	$ 42,686
Other	1,790	1,529
	$ 34,126	$ 44,215
NET NON-OPERATING ADDITIONS (DEDUCTIONS)	$ (4,747)	$ 40,915
TRANSFERRED TO UNDIVIDED PROFITS	$ 488,955	$ 410,897

Complete Trust Service

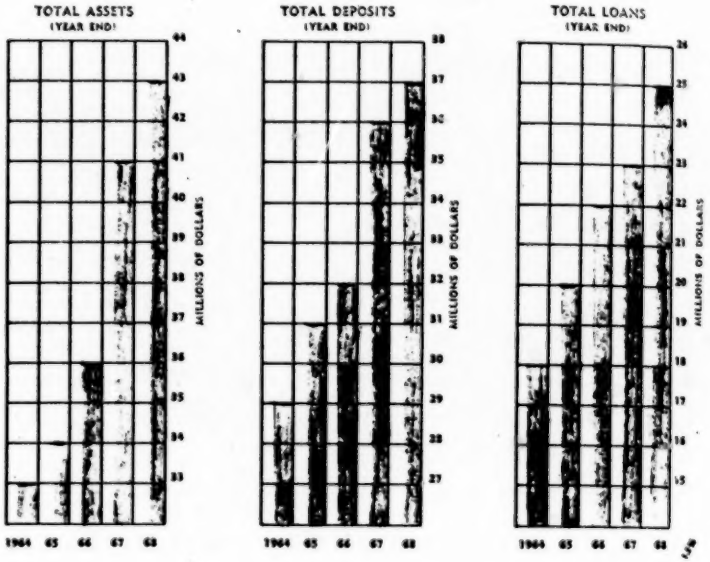
RECONCILEMENT OF CAPITAL ACCOUNTS

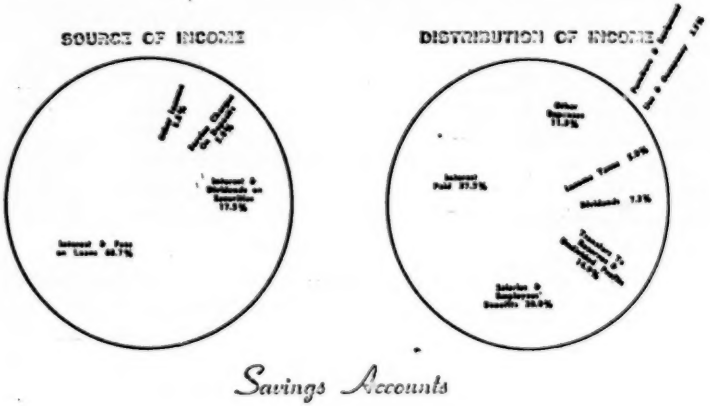
	1968	1967
Balance, beginning of the year	$ 3,893,470	$ 3,662,573
Additions:		
Transferred from Statement of Earnings	488,955	410,897
Commercial Loan interest accrued 12-31-67 calculated after close of the year and transferred to Undivided Profits in 1968	223,712	
Deductions:		
Cash Dividends declared:		
1967: $1.50 per share on 120,000 shares		180,000
1968: $0.30 per share on 120,000 shares		
$1.00 per share on 150,000 shares	186,000	
Balance, end of the year	$ 4,420,137	$ 3,893,470

RECONCILEMENT OF VALUATION RESERVES

	Reserve for Loan Losses pursuant to IRS rulings	
	1968	1967
Balance, beginning of the year	$ 452,614	$ 402,102
Recoveries credited to this reserve	15,868	5,531
Transfers to this reserve	78,486	92,794
Total	546,968	500,427
Less losses charged to this reserve	44,849	47,813
Balance, end of the year	$ 502,119	$ 452,614

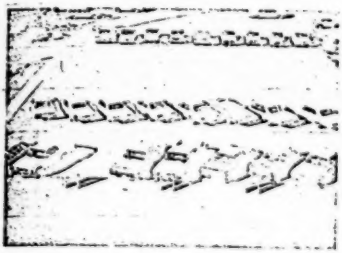
Low Cost Checking Accounts





Savings Accounts

COMPARATIVE PICTURES OF PARKING LOT



The two pictures shown above reflect the development in the bank's parking facilities that has taken place since the last Annual Report. The picture on the left shows the parking lot to the west of the banking quarters as it appeared in the 1967 Annual Report, while the picture on the right shows the parking lot as it currently appears. The one area on the right of the right hand picture is the area provided to Joslin's. The balance of the parking areas are used by your bank for customer parking and for lease to building tenants, Mountain States Telephone and Telegraph Company and others who desire this parking. The parking lot is still not finally completed in view of the fact that we are installing a new combination walkup-driveup structure which will give us a fourth driveup window as well as a walkup facility on the west end of the banking quarters to take care of those customers who desire to park and use this facility rather than a driveup window.

Your bank now owns the entire south half of the block. This land area should permit, as necessary, expansion and growth of our physical plant and customer parking for many years to come.

Savings Certificates

PICTURE OF LOWER MEZZANINE

The above pictures reflect new office facilities in the lower banking level that have been remodeled for the purpose of relocating all the audit and accounting functions to the lower banking level. We are extremely proud of these new quarters and invite you to come and view them whenever it is possible for you to be in the bank. Space that we held in reserve and did not use for the past ten years is now proving to be extremely valuable and we are exceedingly proud of these fine quarters in which our personnel work.

With the relocation of the auditing and accounting functions to the lower banking level, we are currently in the process of changing the configuration of the present tellers' line, locating an entrance on the south or Eleventh Street side of the building with the ultimate objective of relocating the Installment Loan Department to the area formerly occupied by accounting and auditing. Our Trust Department will then move to the area presently occupied by the Installment Loan Department. This will give each of these departments room for future expansion which is necessary due to the increased volume of business handled in each of these areas. Along with opening up of your main banking floor, creating better access to the various departments from three separate entrances to your bank, we will do an extended amount of redecorating of the bank's interior. It is hard to believe that we have been in these quarters since April of 1956 and we feel that the time has arrived in which sprucing up, cleaning up and redecorating has become mandatory. We are very proud of the plans that have been prepared for this job and hope that once the entire project has been completed you will be as pleased with it as we are.

Business and Personal Loans

POOR COPY

STAFF MEMBERS

ADMINISTRATION

Robert M. Gilbert, President
Rex C. Eaton, Jr., Executive Vice President

CREDIT

Curtis S. Slife, Senior Vice President and Credit Supervisor

COMMERCIAL LOANS

James B. Gronstal, Vice President
A. R. Miller, Vice President
Dale J. Bristow, Assistant Vice President
Virgil J. Mathews, Assistant Vice President
Robert W. Pappenheim, Assistant Vice President
John Long, Agricultural Fieldman

INSTALLMENT LOANS

Loren L. Gale, Assistant Vice President
George Wolfe, Jr., Assistant Vice President
Alvin E. Vonfeldt, Assistant Cashier

OPERATIONS

Alejandro M. Gillespie, Vice President and Cashier
Elsie Erickson, Assistant Cashier
Richard J. Read, Assistant Cashier
Norman Wood, Assistant Cashier

TRUST DEPARTMENT

Louis C. Rieker, Vice President and Trust Officer
Russell F. Billings, Vice President and Farm Manager
Russell K. Haney, Trust Administrator

AUDITOR

Arthur L. Haviland

PUBLIC RELATIONS AND BUSINESS DEVELOPMENT

Thomas E. Fitzgerald, Assistant Vice President
Harold Hyde, BankAmericard Representative

THE FIRST NATIONAL BANK EMPLOYEES

yce Abrams	Mary DeCoster	Martha Kent	Loretta Samson
ean Akers	Patty Drewer	John Kerst	Delores Schimpf
Lois Akin	Donna DuBois	Dave Kliewer	Wilma Schnell
ckey Baker	Edythe Faulk	Jim Lyons	Sheila Schweiger
Louis Boll	Bev Foster	Terry Mellon	Lorena Simmons
y Ann Biehn	Judy Fox	Cordelia Meyer	Linda Springfield
yrla Brase	Nell Fry	Conrad Miller	Chris Stein
dia Burgdorff	Velma Gordon	Midge Morehead	Nancy Stoessl
ary Burum	Mary Gray	Annetta Munstermann	Bobby Sutton
Sara Casteel	Chuck Grayum	Ned Nelson	Paige Todd
en Chapman	Becky Hawkins	Al Orlofsky	Bev Torres
Carol Cox	Kay Hotfort	Marsha Quirk	Fern Vielma
lyn Cumberlin	Susan Horner	Diane Richard	Dixie Walker
sha Dawson	Mary Jurgensmeier	Phyllis Roth	Dian Wilson

DIRECTORS

LEONARD N. BURCH
Banking and Investments

ROBERT S. DAVIS
Owner,
Davis Agency and Livestock

MARTIN R. DOMKE
Cattle Feeder

REX C. EATON, JR.
Executive Vice President
of the Bank

WM. S. GARNSEY
Colorado State Senator
President, Garnsey and Wheeler Co.

ROBERT M. GILBERT
President of the Bank

JOHN L. HALEY
Engineering Consultant
Nelson, Haley, Patterson & Quirk, Inc.

JOHN W. HENDERSON
Attorney-at-Law

DARRELL HOLMES, PH. D.
President, Colorado State College

HAROLD S. JONES
Owner, The Jones Company

CARL J. MAGNUSON
Former Colorado State Senator
Farmer and Cattle Feeder

JOSEPH F. PHELPS
President, Hensel Phelps
Construction Company

DEAN C. ROYER
President, D. C. Royer Agency

ERNEST B. SCOTT
President, Scott Realty Company

PHILLIP D. WEAVER, M. D.
Radiologist

WILLIAM H. SOUTHARD
Attorney-at-Law
Trustee, Colorado State College
Elected to The Board of Directors
February 1963

Member FDIC and The Federal Reserve System

POOR COPY

Board of Directors, July 25, 1968, continued . . .

Weaver moved, seconded by Jones, that the basement remodelling by done by Hensel Phelps Construction Company on a negotiated basis. Carried.

COLORADO NATIONAL BANKSHARES, INC: Following the recent organization of this Holding Company, we have been approached informally to ascertain whether or not we might be interested in joining them on a fair stock exchange basis. Some of the possible advantages and disadvantages were considered. It was the consensus, however, that this matter should be considered more fully when more of the members of the Board are present.

FIRST COLORADO REGIONAL CLEARINGHOUSE ASSOCIATION: A Marketing Conference is to be held at Ramada Inn on Monday evening, August 12, and members of the Board were encouraged and invited to attend. Gilbert is President of the Association for the 1968-69 year.

There being no further business the meeting ended at 17:30 o'clock.

/s/ Robert M. Gilbert
ROBERT M. GILBERT
President

/s/ Alejandro M. Gillespie
ALEJANDRO M. GILLESPIE
Vice President and Cashier
Secretary to the Board

CRANE MATTER: It was reported that we have received a note for $140,000.00, as proposed by them and accepted by us, signed by the four Crane parties.

COLORADO CNB BANKSHARES: Eaton stated that Chas. Baer of Colorado National Bank had visited us with regard to the possibility of our being invited to join the holding company group. Midwest Research Institute is being employed to make economic studies for submission to the Federal Reserve System as a basis for establishing the rate of exchange of local bank stock for shares of Colorado CNB Bankshares, Inc., stock. We have been given a list of basic information desired to begin studies insofar as we are concerned.

HOSPITALIZATION AND MEDICAL INSURANCE—EMPLOYEES: There was a lengthy discussion of Eaton's memorandum presented some weeks ago. While further study is needed, there is some sentiment in favor of the bank paying 100% of each employee's coverage, and 40% of each employee's dependents' coverage. Complicating the matter is the fact that the companies differ to some extent in their coverages.

There being no further business, the meeting ended at 17:30 o'clock.

/s/ Robert M. Gilbert
ROBERT M. GILBERT
President

/s/ Alejandro M. Gillespie
ALEJANDRO M. GILLESPIE
Vice President and Cashier
Secretary to the Board

Board of Directors, February 13, 1969, continued . . .

COLORADO CNB BANKSHARES, INC: Eaton reported that Gilbert and he had met some days ago with representatives of the holding company to consider the figures prepared and presented by Midwest Research with the collaboration of Touche, Ross, Bailey and Smart, and that at that time we had received a formal verbal offer to join the holding company on the basis of exchanging our respective stocks on a one-for-one basis.

The matter was discussed for over an hour. At this point opinion seemed divided as to whether we should consider joining, and if so at what basis other than one-for-one share exchange; also, are there other possibilities in which we might be interested?

Gilbert and Eaton were instructed to discuss the matter further with Colorado CNB Bankshares, Inc., to ascertain whether an exchange basis more favorable to our shareholders is feasible; and to endeavor to ascertain whether the First National Bank of Denver may be interested (and able, in the light of reported restrictions by the Comptroller's Office in the matter of granting permission) in our joining their holding company.

There being no further business the meeting ended at 4:55 o'clock.

/s/ Robert M. Gilbert
ROBERT M. GILBERT
President

/s/ Alejandro M. Gillespie
ALEJANDRO M. GILLESPIE
Vice President and Controller
Secretary to the Board

Board of Directors, February 27, 1969, continued . . .

EVALUATION OF BANK OPERATIONS: Eaton announced that the firm Howard J. Blender and Co. will have representatives for two days for a preliminary survey, at no charge to us, of our clerical operations; based on their findings they will then make recommendations as to possible additional work on a fee basis.

COLORADO CNB BANKSHARES, INC: Gilbert reported that he had spoken to Eugene Adams, President of The First National Bank of Denver, who expressed interest in the matter; as a result, on the 26th Bruce Alexander, Ted Close, Eaton and Gilbert met at the latter's home to consider this further. Bruce Alexander telephoned today to say:

a. Their group is definitely interested in having a bank in Weld County join them.
b. If we assured them that we were likewise interested they would break off present negotiations with the First National Bank of Windsor.
c. If they made us an offer for exchange of stock they would want the right to top any counteroffer which might be made by Colorado CNB Bankshares beyond the one-for-one exchange already proposed.

Meanwhile, Melvin Roberts, President of Colorado National Bank, had called yesterday to enquire as to whether we had any further word on their offer.

After some discussion, it was agreed unanimously:

1. Colorado CNB Bankshares should be advised immediately that we are considering an alternative, in the interests of shareholders, and that we defer our answer until later.
2. First National Bancorporation should be advised that we are definitely interested in exploring the matter further with them.

There being no further business, the meeting ended at 17:20 o'clock.

/s/ Robert M. Gilbert
ROBERT M. GILBERT
President

/s/ Alejandro M. Gillespie
ALEJANDRO M. GILLESPIE
Vice President and Controller
Secretary to the Board

COLORADO CNB BANKSHARES, INC; FIRST NATIONAL BANKSHARES, INC: Gilbert reported that, in ccordance with the Board's instructions, he had been in ontact with First National Bankshares, Inc. In response, ey had presented a written proposal considerably more lvantageous than that which had been submitted by Colodo CNB Bankshares; the new proposal was based on an xchange of stock at 1.9 times our Adjusted Book Value on formula drawn up for the purpose but subject to some djustments.

It was agreed:

1. To advise Colorado CNB Bankshares that we have a definite offer from First National Bankshares.
2. That Gilbert should get in touch with Garnsey (who was absent, and is a member of the Board of Colorado National Bank) to advise him of these developments.
3. That Gilbert and a representative of First National Bankshares should be prepared to go to Kansas City, or Washington if need be, to interview the Board of Governors of the Federal Reserve System in an effort to get some verbal expression as to the possibility of approval of our joining the holding company being granted—before actually making application or going to the considerable trouble of rounding up the necessary shareholder agreement.
4. That this matter should be treated confidentially for the time being.

INSTALLMENT LOAN DEPARTMENT REPORT, EBRUARY: Slife was present for this portion of the eeting only, to discuss the department's report. Henderon moved approval, seconded by Southard. Carried.

DISCOUNT COMMITTEE: Burch moved approval of inutes of proceedings at meetings held February 25, 28, arch 4, and 7. Seconded by Henderson and carried.

Slife's memorandum of today concerning the Ankeney an was discussed. We have a request for an increase of 5,000 over our self-imposed loan limit of $300,000. In the rcumstances it is deemed advisable to grant the request;

Henderson moved approval, seconded by Southard, and carried.

ACCOUNTS OPENED AND CLOSED FEBRUARY 17-28
LOANS PAST DUE FEBRUARY 28
COMPARATIVE DAILY STATEMENT MARCH 11

These were reviewed.

CHECKING ACCOUNTS OVERDRAWN MARCH 12: Burch moved approval, seconded by Jones. Carried.

BOOK VALUE OF BANK PREMISES: Gilbert reported that Gillespie had written to the Regional Administrator of National Banks asking authority to write our book value of Bank Premises up to the $1,298,327.28 shown in our 1968 Federal Income Tax Return—a difference of $383,834.68 at close of business December 31. The Regional Administrator had granted permission to do this on the understanding that we would charge off on our books at least as much as we do for tax purposes each year. Eaton moved, seconded by Scott, that the value be written up accordingly; carried.

There being no further business the meeting ended at 17:30 o'clock.

/s/ Robert M. Gilbert
ROBERT M. GILBERT
President

/s/ Alejandro M. Gillespie
ALEJANDRO M. GILLESPIE
Vice President and Controller
Secretary to the Board

Board of Directors, March 27, 1969, continued . . .

FIRST NATIONAL BANK CORPORATION, INC. ANNOUNCEMENT: A discussion was held pertaining to a public announcement that subject to approval by regulatory authorities and approval by stockholders holding 80% or more of the stock in The First National Bank, The First National Bank would enter into an exchange with the First National Bank Corporation, Inc., Denver, Colorado. The exchange ratio would be 1.55 shares of First National Bank Corporation, Inc. stock for each share of The First National Bank of Greeley, Colorado common stock. On motion by Eaton, seconded by Jones, the prior action taken by Gilbert and Eaton representing the First National Bank of Greeley was ratified. The action taken by Gilbert and Eaton was done after phone discussions with most board members.

EVALUATION OF BANK OPERATION: It was reported to the Board that management had contracted with the Howard J. Blender Co. bank management service to conduct certain studies and changes in our Proof Transit, Bookkeeping and Teller Departments. This service to commence immediately and take approximately 15 weeks.

There being no further business, the meeting ended at 17:00 o'clock.

Respectfully submitted,

/s/ Robert M. Gilbert
ROBERT M. GILBERT
President

/s/ Rex C. Eaton, Jr.
REX C. EATON, JR.
Executive Vice President and Acting Secretary of the Board

DIRECTORS' LOANS AT COLORADO NATIONAL BANK: Eaton reported that on a visit with Mel Roberts last Monday it was revealed that Directors' and Officers' loans at Colorado National Bank are in the neighborhood of $1,500,000; in the circumstances they wish to carry these loans at current higher rates than has been granted to our Directors and Officers hitherto—unless we agree to place $1,000,000 with them in a non-interest-bearing Certificate of Deposit. The First National Bank of Denver is willing to take over these loans, and it is understood that the rates will be higher than at present in view of money market trends; it was agreed to accept First National's offer to have one of their loan officers meet here with individuals involved to discuss their respective situations, and to switch the loans from CNB to FNBD as soon as convenient.

FEDERALLY-INSURED STUDENT LOAN PROGRAM: Slife-Gale memorandum April 10 to Eaton is made a part of these minutes. Phelps moved that the program be adopted as suggested, except that in recommendation 1. the present six-month basis be continued, instead of the proposed three-year basis. Seconded by Haley and carried.

TELEPHONE SERVICE: It is expected that as a result of increases in rates our telephone expense will increase about 30%.

There being no further business the meeting ended at 17:15 o'clock.

/s/ Robert M. Gilbert
ROBERT M. GILBERT
President

/s/ Alejandro M. Gillespie
ALEJANDRO M. GILLESPIE
Vice President and Controller
Secretary to the Board

Plaintiff's Exhibit 42

Gilbert Deposition

The following excerpts are offered in evidence by plaintiff from the deposition of Robert M. Gilbert, President of defendant First National Bank of Greeley, taken by plaintiff November 19, 1970. Each excerpt is preceded by a reference to the page and lines of the transcript from which it is taken. Questions are by government counsel unless otherwise noted.

(*p. 2 line 11—p. 5 line 13*)

Q. (By Mr. Schoepke) Would you state your name for the record, please.

A. Robert M. Gilbert.

Q. Mr. Gilbert, where do you reside?

A. 1506 47th Avenue, Greeley, Colorado.

Q. And what is your present principal occupation?

A. President of the First National Bank, Greeley, Colorado.

Q. And for how long have you been president of the First National Bank of Greeley?

A. May 1, 1963.

Q. You have never been connected with the Greeley National Bank?

A. I never have. A minor stockholder.

Q. Mr. Gilbert, just as a starter, if you would trace your career starting, let's say, from your graduation from college and how it came about that you went into the banking business?

A. I graduated from the University of Colorado Law School in 1938 and was admitted to practice in Colorado in the same year, and I returned to Greeley where I started a practice and continuously practiced except for war service in World War II until May 1 of 1963, when I was asked to become president of the bank. I had gone on the Board of the First National Bank in Greeley in 1958.

Other than my experience as a Board member, I had had no banking experience until I became president of the bank on May 1.

Q. And you have occupied the position as president ever since 1963?

A. Yes.

Q. Mr. Gilbert, I would like to direct your attention to

Defendants' Answers to Interrogatory No. 50 which is concerned with the major stockholders of the First National Bancorporation, Denver, and the First National Bank of Greeley. And I notice that listed as holding approximately 14,000 shares of the First National Bank of Greeley, constituting about 9.37 per cent of the total shares, is the Monroe Corporation. Are you familiar with the Monroe Corporation?

A. Yes. It's a Colorado corporation wholly owned by my wife and myself.

Q. There are no other owners besides you two?

A. No.

Q. Are there any other members of your immediate family that own stock in the First National Bank of Greeley?

A. No.

Q. How about your brother, does he own any stock?

A. No. Well, excuse me. I was thinking of my immediate family. My brother is a minor shareholder in the First National Bank of Greeley.

Q. Do you know offhand how many shares he owns?

A. I think in the neighborhood of 300 or 400 shares.

Q. And what is your brother's name?

A. Carson C. Gilbert.

Q. Now, in the same Interrogatory Answer No. 50, the Monroe Corporation is listed as owning 13.33 per cent of the Fort Lupton State Bank, is that correct?

A. Yes.

Q. How did it come about that the Monroe Corporation acquired 13.33 per cent of the Fort Lupton State Bank?

A. Jack Dalton, who was the chairman of the board of the Fort Lupton State Bank, called me and said he wanted to sell approximately 400 shares of the bank at that time and wanted to know if I was interested in buying. He later changed his mind and said he only wanted to sell a hundred shares, and I decided to purchase it.

Q. When you say "I," are you referring now to Robert Gilbert or to the Monroe Corporation?

A. No. I'm referring to the Monroe Corporation.

Q. Does 400 shares represent 13.33 per cent? That was your only purchase, is that correct?

A. Yes. They had a stock split some time ago. I'm not sure of the details of the split.

Q. Do you recall the approximate time that the Monroe

Corporation purchased this interest in the Fort Lupton State Bank?

A. I can't be accurate. I can get it for you quickly, but it was approximately three years ago, I think.

(*p. 16 line 21—p. 17 line 16*)

Q. Did Mr. Roberts or any other person from Colorado National Bank tell you why they were interested in acquiring First National Bank of Greeley?

A. Only that he felt and stated to us that he thought a holding company relationship obviously was going to be the way that the banks were going to extend their area of operations over the state; that he didn't feel that the branch-banking law in the State of Colorado was going to change very rapidly. By that time, of course, the Denver U. S. National Bank, now the United Bank, had begun its series of acquisitions, particularly the one in Greeley. I think he just felt that it was a beneficial thing for the banks, to propose an affiliation.

Q. Did the fact that Denver U. S. Bancorporation had acquired the Weld County Bank have any bearing on the decision of your board to consider affiliation with a holding company?

A. I think so. Other than what our board expressed, I can't fathom what each member had in his mind, but I think, yes, they were.

Q. Give us the substance of the conversation.

(*p. 17 line 24—p. 18 line 18*)

A. I think our board obviously began to consider the benefits and the advantages of holding company relationships with the prime example of the Weld County Bank having joined the Denver U. S. National Bank at this time. We began in management primarily but in board meetings also to be more cognizant of what the banking relationship in the State of Colorado was beginning to be. We began to explore the proposed advantages of branch—I mean of the holding company concept. Part of it, and most of it, Mr. Schoepke, probably emanated from management, Mr. Eaton and myself in the early discussions.

Q. Well, the fact that the Weld County Bank had affiliated with Denver U. S. was a factor that prompted you to consideration affiliation yourself, is that no so?

A. I'm sure it led us to go into the concept of this more deeply than we had before. We began to explore the advantages of this type of relationship as far as personnel, advertising, diversification of our stockholdings so our stock would have a more ready market. We began to be aware and cognizant of this type of advantage.

(*p. 30 line 22—p. 31 line 21*)

Q. (By Mr. Schoepke) Mr. Gilbert, in your Answers and also in some of the documents that were produced pursuant to our Rule 34 motion, we gather that First National Bank of Greeley has had occasion in the past to consider the organization of affiliate banks. And in this connection I would direct your attention to the application submitted for the proposed new bank in west Greeley. Now, this was in 1963?

A. Right.

Q. I wonder, could you tell us how it came about that you undertook to file an application for a bank in west Greeley or the western part of Greeley?

A. As you just said, it was done in 1963. I had come into the bank on May 1 of '63. I think Mr. Eaton and the former president of the bank, Mr. Birch, were aware of the fact that our chief competitor, the Greeley National, had already acquired one affiliate, the Cache National Bank, and were aware of the fact that they have either had or were about to apply for a charter in the same general area. I think this brought it to a head and prompted us to make our application.

Q. Why did you pick this particular area?

A. The growth trend in the Greeley area, outside of the southern part of the city, seemed to be the western part of the city. That was basically the reason for picking that site.

(*p. 32 line 22—p. 36 line 23*)

Q. (By Mr. Schoepke) Now, you mentioned that your competitor, the Greeley National Bank, had an application pending there. To refresh your recollection, on page 24 of the application, it is indicated that there was also an application pending in that general area by a new bank to be known as the Columbine State Bank, which was to be an affiliate of Weld County Bank. Does that refresh your recollection?

A. Yes. But I don't believe that was in the same general area. I think that came later and was for approval to operate in a different area, generally, on south of our bank about five blocks and almost due south of our bank. I don't think it was in the same general area.

Q. Well, I gather that your application was disapproved?

A. Yes, it was.

Q. And the application presented by Greeley National Bank was approved?

A. Yes.

Q. Do you happen to know why that decision was made?

A. We never had any specific reason from the regulatory authorities. We had gotten some kind of information that it was because they were the first to file in point of time. I don't know whether that was the reason or not.

Q. Now, did you ever have occasion thereafter to consider the organization of an affiliate bank?

A. No, not really. We have considered early this year at the request of one of our directors who was promoting a shopping center in the south part of this city the possibility of acquiring a site for a bank. And, of course, this would then lead to the consideration of whether we would apply for a charter in that area. But it never has gotten to that point yet.

Q. Have you conducted any economic studies?

A. Yes, we had one made early in this year by Small and Cooley, I think it was, the same people who had done some work for us back in 1963.

Q. Well, now, was this study made by Small and Cooley conducted in connection with this particular possibility of a bank in the shopping center that your director was promoting?

A. Primarily for two reasons: one, to determine whether or not they thought this was a feasible and logical site for a new bank; and secondarily, whether or not the market capacity was there. So it was, in part, a feasibility study on location and also on whether or not they thought there was sufficient market to be generated to make a bank profitable.

Q. Well, now, could you tell us what the present status of the matter is concerning the possi' ility of organizing a bank in this shopping center which one of your directors is promoting?

A. Yes. An option was taken in the name of the Monroe Corporation, as I have advised which is a wholly-owned corporation of my wife and myself, purely for convenience, and not by our board but by the men who made up the board in their individual capacity. That option was taken and has been assigned verbally to the First National Bancorporation. It has not been exercised. And under its terms it does not have to be until some time in June of 1971. And then there is some provision, I believe, for an extension after that time by small payment.

The further status of it, to bring you up to date, is that our option and our determination of whether to exercise our option depended on the offeror giving us certain things, and one was the firm lease from Montgomery Ward; the second was the beginning of a development of residential area to the west of it, surrounding it. And there were a couple of other conditions, none of which have yet been met. At the last report it appears unlikely that Montgomery Ward is going to be there. So that at the present moment, we don't know what the situation is.

Q. Would you tell us where in Greeley this proposed shopping center is located?

A. Yes. The site that we have under option is the southeast corner of 23rd Avenue and the US 34th by-pass.

Q. And approximately how far is that from the First National Bank?

A. Our bank is located on 9th Avenue and 11th Street. This is 23rd Avenue. 14 blocks west and 19 blocks south.

Q. What are blocks in Greeley?

A. A block is usually 400 feet. So it's 14 blocks west and 19 blocks south of our present location.

Q. Would you say about two or three miles?

A. Yes, about two or three miles.

Mr. Schoepke: Off the record.

(Discussion off the record.)

Q. (By Mr. Schoepke) Now, this question of an option for a new bank, was that discussed at all with the board of directors of the First National Bank of Greeley?

A. Not as a board of directors. Usually after a board meeting we would discuss it as individuals. We did not discuss it with the board.

Q. But did you discuss it with the other directors as individuals?

A. Yes.

Q. Now, could you tell us why it was that the option was negotiated in the name of the Monroe Corporation?

A. Purely convenience. We did not want our competitors to know that we were taking—that the bank was taking an option. The Monroe Corporation is a relatively unknown entity.

(p. 45 line 15—p. 50 line 4)

Q. Mr. Gilbert, I would like to direct your attention, if I may, to the application of the First National Bancorporation of Denver that was made to the Federal Reserve Board in connection with the proposed acquisition of the First National Bank of Greeley. Exhibit G describes Greeley's primary service area. And in that description there are various communities listed as included within this area. Now, one of the cities mentioned is the City of Greeley. And the next city mentioned is Eaton. Could you tell us where Eaton is located?

A. Approximately three and a half, four—let's see—four to five miles due north of Greeley.

Q. On the basis of your knowledge, having lived in the area, is there any commercial connection between Eaton and Greeley?

A. By "commercial connection," do you mean commercial firms extending to that area?

Q. Yes.

A. I'm not sure I understand what you mean.

Q. Well, what is the economic activity that goes on in Eaton? Why is Eaton there?

A. It's a small rural, almost predominantly agricultural area, a very small town.

Q. Do people from Eaton come into Greeley to conduct business?

A. Yes, in the retail sense. Probably they do more of their retail business in Greeley than Eaton.

Q. Now, where is the town of Gill?

A. Gill is a little east of Eaton. Generally, it's north and east of Greeley. I doubt, if you were going through Gill, you could even identify it as a town.

Q. Is there any economic connection between Gill and Greeley?

A. It can hardly be called a town. I don't think you would classify it as a town if you would go through it and look at it. Maybe you have, but there is nothing there to speak of, no commercial activity.

Q. No commercial activity?

A. No.

Q. How about Kersey, the next town? Where is Kersey located?

A. Kersey is about six miles east of Greeley on Highway 34.

Q. What kind of commercial activity, if any, is located there?

A. Very little. An elevator maybe, a feed elevator, feed and grain elevator.

Q. Is there a railroad station?

A. I don't believe there is a station there any longer. They don't stop there any longer.

Q. And where is Platteville located?

A. Platteville is about twelve miles—I'm speculating—but about twelve miles south of Greeley on Highway 85 to Denver.

Q. What kind of commercial activity, if any, is located there?

A. Again, very little.

Q. How about the town of Gilcrest?

A. Gilcrest is approximately nine or ten miles south of Greeley on Highway 85.

Q. What kind of economic and commercial activity, if any, is conducted there?

A. Again, very little. There may be a feed mill, grain elevator. But very little commercial activity.

Q. And how about the town of Peckham? Where is that located?

A. Peckham is in the same general area as Gilcrest and Platteville.

Q. Again, with regard to commercial activity?

A. It's non-existent practically.

Q. And may I ask the same few questions with respect to La Salle?

A. La Salle is a larger area. It used to be the switching ground for the U. P. Railroad. It has an alfalfa mill, which is one of the main commercial activities in the town, a grocery store, the South Platte National Bank, which recently went in there. There isn't a whole lot of activity

other than the John Ewing alfalfa hydrating mill and the bank. That's about it.

Q. How about the town of Evans?

A. Evans has even less, in my opinion, commercial activity than La Salle. It's midway between Greeley and La Salle. Very little commercial activity. There has recently been a furniture manufacturing store. Other than that, there is hardly any commercial activity.

Q. And Lucerne?

A. Lucerne is about midway on the north edge of Greeley between Greeley and Eaton. And in Lucerne, again, it's hardly identifiable as a city or town. The only commercial activity is a large filling station, restaurant and small motel.

Q. Mr. Gilbert, are you acquainted with an area near Greeley that is known as Farmers?

A. A Spur.

Q. Is that the name of it, Farmers Spur?

A. Yes.

Q. What is that?

A. It's north and west of Greeley, about six and a half miles.

Q. Is that a town?

A. It used to be known as a town. It was a beet dump. I doubt if it has a population of ten people. It's non-existent.

Q. Commercial activity?

A. None. There is no commercial activity there at all. I started to say there is a feed lot, but it's not there any more.

Q. How about Bracewell? Is there a community by that name near Greeley?

A. Yes, it's a little further north and west than the Farmers Spur but it's almost in the same category. It's non-existent. It's hardly identifiable as a community. I don't think they have a town board.

Q. Commercial activity?

A. None that I can think of.

Plaintiff's Exhibit 43

Eaton Deposition

The following excerpts are offered in evidence by plaintiff from the deposition of Rex C. Eaton, Jr., Executive Vice President of defendant First National Bank of Greeley,

taken by plaintiff November 19, 1970. Each excerpt is preceded by a reference to the page and lines of the transcript from which it is taken. Questions are by government counsel unless otherwise noted.

(p. 2 lines 10-26)

Q. (By Mr. Brenan) Will you please state your name for the record.

A. Rex C. Eaton, Jr.

Q. And your address?

A. 1944 26th Avenue, Greeley, Colorado.

Q. What is your current employment, Mr. Eaton?

A. I'm executive vice-president of the First National Bank of Greeley.

Q. How long have you held that position?

A. Since approximately 1962.

Q. Have you held other positions with First National Bank of Greeley prior to 1962?

A. Yes, I have.

Q. Could you roughly outline those?

A. I was employed by the bank originally in 1956. I held the positions of assistant cashier, cashier, vice-president and cashier, vice-president and executive vice-president.

(p. 17 lines 7-20)

Q. Does the First National Bank of Greeley do any business with the First National Bank of Denver's loan production office in Greeley?

A. Yes, we do.

Q. Would you describe the nature of that business?

A. The First National Bank of Greeley tries to work with the loan production office to provide permanent financing for residents of our community on primarily single-family housing. The First National Bank of Greeley does not have a specific real estate loan department.

Q. When you get a request, do you refer it, is that it?

A. We try to, unless we can make it as a conventional loan from our own portfolio.

FIRST NATIONAL BANCORPORATION, INC. 1/

DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS, BY CLASS SIZE, BY LOCATION OF DEPOSITOR,

(Dollar amounts in thousands)

	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBE
	No.	%	Amount	%	No.	%	Amount	%	No.
	All Class Sizes				$1 - $1,000				
politan Denver:									
ty and County of Denver	32,460	57.4%	$152,509	69.8%	23,004	54.2%	$ 6,755	53.9%	7,785
nver Suburban:	21,057	37.2	32,856	15.0	17,645	41.5	5,250	41.9	3,105
City of Aurora	1,697	3.0	1,053	0.5	1,668	3.9	619	4.9	18
Adams County o/s Aurora	8,030	14.2	6,462	3.0	7,017	16.5	1,929	15.4	943
Arapahoe Co. o/s Aurora	6,595	11.7	8,481	3.9	5,319	12.5	1,548	12.3	1,158
Jefferson County	4,096	7.2	15,695	7.2	3,136	7.4	1,019	8.1	870
Boulder County	639	1.1	1,165	0.5	505	1.2	135	1.1	116
DENVER SMSA	53,517	94.6	185,365	84.8	40,649	95.7	12,005	95.8	10,890
of Greeley	46	0.1	40	x	37	0.1	9	0.1	8
ley Area o/s City	4	x	8	x	1	x	1	x	3
EELEY AREA*	50	0.1	48	x	38	0.1	10	0.1	11
Weld County	99	0.2	186	0.1	83	0.2	25	0.2	13
LD COUNTY	149	0.3	234	0.1	121	0.3	35	0.3	24
Colorado	1,036	1.8	3,797	1.7	657	1.5	197	1.6	315
de Colorado	1,880	3.3	29,246	13.4	1,054	2.5	297	2.4	531
TOTAL	56,582	100.0%	$218,641	100.0%	42,481	100.0%	$12,535	100.0%	11,760

Detail may not always add to total due to rounding.
s than 0.05 percent.

e: Defendant's Answer to Plaintiff's Interrogatory No. 7.

* Includes City of Greeley, and adjacent to
Kersey, Gill, Eaton, Lucerne, Farmer

1/ Total of all existing subsidiary banks,
Denver, Bear Valley, Northglenn and So

2/ By stipulation of parties these figures
as of 7-8-70.

FIRST NATIONAL BANCORPORATION, INC. 1/

DEPOSITS OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS, BY CLASS SIZE, BY LOCATION OF DEPOSITOR, AUGUST 31, 1970. 2/

(Dollar amounts in thousands)

NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
All Class Sizes				$1 - $1,000				$1,001 - $10,000			
32,460	57.4%	$152,509	69.8%	23,004	54.2%	$ 6,755	53.9%	7,785	66.2%	$ 23,392	68.6%
21,057	37.2	32,856	15.0	17,645	41.5	5,250	41.9	3,105	26.4	7,908	23.2
1,697	3.0	1,053	0.5	1,668	3.9	619	4.9	18	0.2	55	0.2
8,030	14.2	6,462	3.0	7,017	16.5	1,929	15.4	943	8.0	2,240	6.6
6,595	11.7	8,481	3.9	5,319	12.5	1,548	12.3	1,158	9.8	3,044	8.9
4,096	7.2	15,695	7.2	3,136	7.4	1,019	8.1	870	7.4	2,236	6.6
639	1.1	1,165	0.5	505	1.2	135	1.1	116	1.0	333	1.0
53,517	94.6	185,365	84.8	40,649	95.7	12,005	95.8	10,890	92.6	31,300	91.8
46	0.1	40	x	37	0.1	9	0.1	8	0.1	20	0.1
4	x	8	x	1	x	1	x	3	x	7	x
50	0.1	48	x	38	0.1	10	0.1	11	0.1	27	0.1
99	0.2	186	0.1	83	0.2	25	0.2	13	0.1	33	0.1
149	0.3	234	0.1	121	0.3	35	0.3	24	0.2	60	0.2
1,036	1.8	3,797	1.7	657	1.5	197	1.6	315	2.7	869	2.5
1,880	3.3	29,246	13.4	1,054	2.5	297	2.4	531	4.5	1,848	5.4
56,582	100.0%	$218,641	100.0%	42,481	100.0%	$12,535	100.0%	11,760	100.0%	$ 34,081	100.0%

to total due to rounding.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Pecksman Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ Total of all existing subsidiary banks, i.e., First National Banks of Denver, Bear Valley, Northglenn and Southglenn.

2/ By stipulation of parties these figures are representative of the data as of 7-8-70.

Plaintiff's Interrogatory No. 7.

F

DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSH

	NUMBER		DOLLAR AMOUN	
	No.	%	Amount	
		$10,001 - $50,000		
Metropolitan Denver:				
City and County of Denver	1,246	71.6%	$ 26,309	
Denver Suburban:	261	15.0	5,147	
City of Aurora	8	0.5	168	
Adams County o/s Aurora	60	3.4	1,206	
Arapahoe Co. o/s Aurora	101	5.8	2,006	
Jefferson County	76	4.4	1,488	
Boulder County	16	0.9	279	
DENVER SMSA	1,507	86.6	31,456	
ity of Greeley	1	0.1	12	
reeley Area o/s City	-	-	-	
GREELEY AREA *	1	0.1	12	
ther Weld County	1	0.1	12	
WELD COUNTY	2	0.1	24	
ther Colorado	50	2.9	756	
tside Colorado	182	10.5	3,268	
TOTAL	1,741	100.0%	$ 35,506	1

ote: Detail may not always add to total due to rounding.
Less than 0.05 percent.

ource: Defendant's Answer to Plaintiff's Interrogatory No. 7.

IRST NATIONAL BANCORPORATION, INC. 1/
IPS AND CORPORATIONS, BY CLASS SIZE, BY LOCATION OF DEPOSITOR, AUG

(Dollar amounts in thousands)

T %	NUMBER No.	NUMBER %	DOLLAR AMOUNT Amount	DOLLAR AMOUNT %	NUMBER No.	NUMBER %
		$50,001 - $100,000				$100
74.1%	200	70.2%	$14,309	71.4%	225	71.
14.5	24	8.4	1,698	8.5	22	7.
0.5	3	1.1	211	1.1	-	-
3.4	4	1.4	269	1.3	6	1.
5.6	12	4.2	853	4.3	5	1.
4.2	5	1.8	365	1.8	9	2.
0.8	-	-	-	-	2	0.
88.6	224	78.6	16,007	79.9	247	78.
x	-	-	-	-	-	-
-	-	-	-	-	-	-
x	-	-	-	-	-	-
x	2	0.7	115	0.6	-	-
0.1	2	0.7	115	0.6	-	-
2.1	7	2.5	397	2.0	7	2.
9.2	52	18.2	3,510	17.5	61	19.
00.0%	285	100.0%	$20,029	100.0%	315	100.

* Includes City of Greeley, and adjacent towns o
Kersey, Gill, Eaton, Lucerne, Farmers and

1/ Total of all existing subsidiary banks, i.e.
Denver, Bear Valley, Northglenn and Southg

2/ By stipulation of parties these figures are
as of 7-8-70.

FIRST NATIONAL BANCORPORATION,
AND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS, BY CLASS

(Dollar amounts in thousand

NUMBER		DOLLAR AMOUNT		NUMBER	
No.	%	Amount	%	No.	%
$10,001 - $50,000				$50,001 - $	
1,246	71.6%	$ 26,309	74.1%	200	70.2%
261	15.0	5,147	14.5	24	8.4
8	0.5	168	0.5	3	1.1
60	3.4	1,206	3.4	4	1.4
101	5.8	2,006	5.6	12	4.2
76	4.4	1,488	4.2	5	1.8
16	0.9	279	0.8	-	-
1,507	86.6	31,456	88.6	224	78.6
1	0.1	12	x	-	-
-	-	-	-	-	-
1	0.1	12	x	-	-
1	0.1	12	x	2	0.7
2	0.1	24	0.1	2	0.7
50	2.9	756	2.1	7	2.5
182	10.5	3,268	9.2	52	18.2
1,741	100.0%	$ 35,506	100.0%	285	100.0%

dd to total due to rounding.

o Plaintiff's Interrogatory No. 7.

* Includes C
Kersey,
1/ Total of
Denver,
2/ By stipul
as of 1

C. 1/
IZE, BY LOCATION OF DEPOSITOR, AUGUST 31, 1970. 2/

)

DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
Amount	%	No.	%	Amount	%
00,000			$100,001 and Over		
$14,309	71.4%	225	71.4%	$ 81,744	70.2%
1,698	8.5	22	7.0	12,849	11.0
211	1.1	-	-	-	-
269	1.3	6	1.9	815	0.7
853	4.3	5	1.6	1,028	0.9
365	1.8	9	2.9	10,588	9.1
-	-	2	0.6	418	0.4
16,007	79.9	247	78.4	94,593	81.2
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
115	0.6	-	-	-	-
115	0.6	-	-	-	-
397	2.0	7	2.2	1,577	1.4
3,510	17.5	61	19.4	20,321	17.4
$20,029	100.0%	315	100.0%	$116,491	100.0%

y of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Gill, Eaton, Lucerne, Parsons and Bracewell.
ll existing subsidiary banks, i.e., First National Banks of Bear Valley, Northglenn and Southglenn.
tion of parties these figures are representative of the date 8-70.

(Dollar amounts in thousands)

	All Class Sizes				$1 - $1,000				$1,001 - $10,000			
	Number	%	Dollar Amount	%	Number	%	Dollar Amount	%	Number	%	Dollar Amount	%
Metropolitan Denver:												
City and County of Denver	30,175	55.4%	$ 73,267	69.4%	19,434	50.9%	83,364	55.3%	8,491	65.2%	$29,756	67.2%
Denver Suburban:												
City of Aurora	1,722	3.2	2,262	2.1	1,279	3.3	208	3.4	392	3.0	1,123	2.5
Adams County o/s Aurora	7,923	14.5	5,247	5.0	6,821	17.7	869	14.3	1,010	7.8	2,944	6.7
Arapahoe Co. o/s Aurora	7,257	13.3	6,951	6.6	6,132	15.9	778	12.8	977	7.5	2,893	6.5
Jefferson County	3,753	6.9	4,620	4.3	2,544	6.7	451	7.4	987	7.6	3,215	7.3
Boulder County	495	0.9	1,165	1.1	320	0.8	53	0.9	142	1.1	534	1.2
DENVER SMSA	51,325	94.2	93,512	90.5	36,760	95.3	5,723	94.0	11,999	92.1	40,447	91.4
City of Greeley	39	0.1	67	0.1	27	0.1	4	0.1	11	0.1	44	0.1
Greeley Area o/s City	3	*	-	-	3	*	-	-	-	-	-	-
GREELEY AREA*	42	0.1	67	0.1	30	0.1	4	0.1	11	0.1	44	0.1
Other Weld County	100	0.2	258	0.2	59	0.2	11	0.2	33	0.3	126	0.3
WELD COUNTY	142	0.3	325	0.3	89	0.2	15	0.2	44	0.3	170	0.4
Other Colorado	1,049	1.9	4,267	4.0	550	1.4	126	2.1	364	2.8	1,424	3.2
Outside Colorado	1,967	3.6	5,480	5.2	1,184	3.1	223	3.7	615	4.7	2,210	5.0
TOTAL	54,483	100.0%	$105,583	100.0%	38,583	100.0%	$6,086	100.0%	13,022	100.0%	$44,253	100.0%

Note: Detail may not always add to total due to rounding.
* Less than 0.05 percent.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 7.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Pe... Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ Total of all existing subsidiary banks, i.e., First National Banks of Denver, Bear Valley, Northglenn and Southglenn.

2/ By stipulation of parties these figures are representative of the data as of 7-8-70.

FIRST NATIONAL BANCORPORATION, INC. 1/
SAVINGS DEPOSITS, BY CLASS SIZE, BY LOCATION OF DEPOSITOR, AUGUST 31, 1970. 2/

(Dollar amounts in thousands)

	$10,001 - $50,000				$50,001 - $100,000				$100,001 and Over			
	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
Metropolitan Denver:												
City and County of Denver	1,967	71.4%	$ 32,447	72.1%	73	73.7%	$4,963	72.5%	20	80.0%	$ 2,737	80.7%
Denver Suburbs:	487	17.7	7,703	17.1	16	16.2	1,097	16.0	3	12.0	393	11.6
City of Aurora	48	1.7	760	1.7	3	3.0	169	2.5	-	-	-	-
Adams County o/s Aurora	91	3.3	1,364	3.0	1	1.0	70	1.0	-	-	-	-
Arapahoe Co. o/s Aurora	139	5.0	2,428	5.4	6	6.1	457	6.7	3	12.0	393	11.6
Jefferson County	178	6.5	2,675	5.9	4	4.0	278	4.1	-	-	-	-
Boulder County	31	1.1	476	1.1	2	2.0	123	1.8	-	-	-	-
DENVER SMSA	2,454	89.1	40,150	89.2	89	89.9	6,060	88.6	23	92.0	3,130	92.2
City of Greeley	1	x	18	x	-	-	-	-	-	-	-	-
Greeley Area o/s City	-	-	-	-	-	-	-	-	-	-	-	-
GREELEY AREA*	1	x	18	x	-	-	-	-	-	-	-	-
Other Weld County	8	0.3	121	0.3	-	-	-	-	-	-	-	-
WELD COUNTY	9	0.3	139	0.3	-	-	-	-	-	-	-	-
Other Colorado	128	4.6	2,116	4.7	6	6.1	480	7.0	1	4.0	121	3.6
Outside Colorado	163	5.9	2,603	5.8	4	4.0	302	4.4	1	4.0	140	4.1
TOTAL	2,754	100.0%	$ 45,009	100.0%	99	100.0%	$6,843	100.0%	25	100.0%	$ 3,393	100.0%

Note: Detail may not always add to total due to rounding.
x Less than 0.05 percent.
Source: Defendant's Answer to Plaintiff's Interrogatory No. 7.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ Total of all existing subsidiary banks, i.e., First National Banks of Denver, Bear Valley, Northglenn and Southglenn.

2/ By stipulation of parties these figures are representative of the date as of 7-8-70.

FIRST NATIONAL BANCORPORATION, INC. 1/
TIME DEPOSITS OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS, BY CLASS SIZE, BY LOCATION OF DEPOSITOR, AUGUST 31, 1970. 2/

(Dollar amounts in thousands)

	All Class Sizes				$1 - $1,000				$1,001 - $10,000			
	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
Metropolitan Denver:												
City and County of Denver	3,755	65.2%	$73,222	77.7%	871	63.0%	$ 814	65.2%	2,215	64.5%	$11,845	65.4%
Denver Suburban:	1,425	24.8	12,011	12.7	435	31.5	362	29.0	844	24.6	4,029	22.2
City of Aurora	121	2.1	545	0.6	44	3.2	39	3.1	67	2.0	349	1.9
Adams County o/s Aurora	443	7.7	1,909	2.0	137	9.9	94	7.5	269	7.8	1,116	6.2
Arapahoe Co. o/s Aurora	385	6.7	2,280	2.4	127	9.2	115	9.2	235	6.8	1,090	6.0
Jefferson County	407	7.1	6,820	7.1	105	7.6	94	7.5	237	6.9	1,279	7.0
Boulder County	69	1.2	457	0.5	22	1.6	20	1.6	36	1.0	195	1.1
DENVER SMSA	5,180	90.0	85,233	90.4	1,306	94.5	1,176	94.2	3,059	89.1	15,894	87.6
City of Greeley	10	0.2	165	0.2	-	-	-	-	7	0.2	35	0.2
Greeley Area o/s City	-	-	-	-	-	-	-	-	-	-	-	-
GREELEY AREA*	10	0.2	165	0.2	-	-	-	-	7	0.2	35	0.2
Other Weld County	3	0.1	28	x	-	-	-	-	2	0.1	13	0.1
WELD COUNTY	13	0.2	193	0.2	-	-	-	-	9	0.3	48	0.3
Other Colorado	277	4.8	3,279	3.5	39	2.8	38	3.0	183	5.3	1,113	6.1
Outside Colorado	287	5.0	5,530	5.9	37	2.7	36	2.9	183	5.3	1,092	6.0
TOTAL	5,757	100.0%	$94,234	100.0%	1,382	100.0%	$ 1,248	100.0%	3,434	100.0%	$18,143	100.0%

Note: Detail may not always add to total due to rounding.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 7.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Pierce, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ Total of all existing subsidiary banks, i.e., First National Banks of Denver, Bear Valley, Northglenn and Southglenn.

2/ By stipulation of parties these figures are representative of the data as of 7-8-70.

FIRST NATIONAL BANCORPORATION, INC. 1/

TIME DEPOSITS OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS, BY CLASS SIZE, BY LOCATION OF DEPOSITOR, AUGUST 31, 1970. 2/

(Dollar amounts in thousands)

	$10,001 - $50,000				$50,001 - $100,000				$100,001 and Over			
	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
Metropolitan Denver:												
City and County of Denver	461	66.1%	$ 8,613	66.9%	93	81.6%	$ 8,772	82.0%	115	88.5%	$43,157	84.2%
Denver Suburban:	130	18.7	2,367	18.4	10	8.8	897	8.4	6	4.6	4,357	8.5
City of Aurora	10	1.4	158	1.2	-	-	-	-	-	-	-	-
Adams County o/s Aurora	36	5.2	628	4.9	1	0.9	70	0.7	-	-	-	-
Arapahoe Co. o/s Aurora	15	2.2	266	2.1	6	5.3	562	5.3	2	1.5	247	0.5
Jefferson County	58	8.3	1,072	8.3	3	2.6	265	2.5	4	3.1	4,110	8.0
Boulder County	11	1.6	243	1.9	-	-	-	-	-	-	-	-
DENVER SMSA	591	84.8	10,980	85.2	103	90.4	9,669	90.4	121	93.1	47,514	92.7
City of Greeley	2	0.3	30	0.2	1	0.9	100	0.9	-	-	-	-
Greeley Area o/s City	-	-	-	-	-	-	-	-	-	-	-	-
GREELEY AREA*	2	0.3	30	0.2	1	0.9	100	0.9	-	-	-	-
Other Weld County	1	0.1	15	0.1	-	-	-	-	-	-	-	-
WELD COUNTY	3	0.4	45	0.3	1	0.9	100	0.9	-	-	-	-
Other Colorado	46	6.6	844	6.6	6	5.3	560	5.2	3	2.3	725	1.4
Outside Colorado	57	8.2	1,014	7.9	4	3.5	368	3.4	6	4.6	3,020	5.9
TOTAL	697	100.0%	$12,883	100.0%	114	100.0%	$10,697	100.0%	130	100.0%	$51,259	100.0%

Note: Detail may not always add to total due to rounding.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 7.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ Total of all existing subsidiary banks, i.e., First National Banks of Denver, Bear Valley, Northglenn and Southglenn.

2/ By stipulation of parties these figures are representative of the data as of 7-8-70.

FIRST NATIONAL BANCORPORATION, INC. 1/
TOTAL LOANS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970 2/

(Dollar amounts in thousands)

	All Class Sizes				$1 - $2,500				$2,501 - $10,000			
	NUMBER No.	NUMBER %	DOLLAR AMOUNT Amount	DOLLAR AMOUNT %	NUMBER No.	NUMBER %	DOLLAR AMOUNT Amount	DOLLAR AMOUNT %	NUMBER No.	NUMBER %	DOLLAR AMOUNT Amount	DOLLAR AMOUNT %
Metropolitan Denver:												
City and County of Denver	10,804	44.7%	$202,175	59.3%	6,771	42.5%	$ 6,440	41.9%	2,160	42.1%	$ 9,714	43.5%
Denver Suburban:	9,057	37.5	40,422	11.9	6,466	40.6	6,157	40.0	1,985	38.7	7,873	35.3
City of Aurora	1,020	4.2	2,077	0.6	748	4.7	816	5.3	266	5.2	990	4.4
Adams County o/s Aurora	3,119	12.9	10,896	3.2	2,347	14.7	2,116	13.8	629	12.3	2,326	10.4
Arapahoe Co. o/s Aurora	2,124	8.8	14,441	4.2	1,429	9.0	1,283	8.3	434	8.5	1,894	8.5
Jefferson County	2,394	9.9	9,323	2.7	1,684	10.6	1,695	11.0	571	11.1	2,309	10.3
Boulder County	400	1.7	3,685	1.1	258	1.6	247	1.6	85	1.7	354	1.6
DENVER SMSA	19,861	82.3	242,597	71.2	13,237	83.0	12,597	81.9	4,145	80.8	17,587	78.8
City of Greeley	74	0.3	7,129	2.1	33	0.2	37	0.2	11	0.2	46	0.2
Greeley Area o/s City	38	0.2	2,562	0.8	11	0.1	9	0.1	8	0.2	46	0.2
GREELEY AREA*	112	0.5	9,691	2.8	44	0.3	46	0.3	19	0.4	92	0.4
Other Weld County	76	0.3	2,996	0.9	39	0.2	36	0.2	18	0.4	83	0.4
WELD COUNTY	188	0.8	12,687	3.7	83	0.5	82	0.5	37	0.7	175	0.8
Other Colorado	1,017	4.2	33,775	9.9	521	3.3	567	3.7	254	5.0	1,092	4.9
Outside Colorado	3,079	12.8	51,625	15.2	2,104	13.2	2,130	13.9	693	13.5	3,471	15.5
TOTAL	24,145	100.0%	$340,683	100.0%	15,945	100.0%	$15,374	100.0%	5,129	100.0%	$ 22,325	100.0%

Note: Detail may not always add to total due to rounding.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ Total of all existing subsidiary banks, i.e., First National Banks of Denver, Bear Valley, Northglenn and Southglenn.

2/ By stipulation of parties these figures are representative of the data as of 7-8-70.

FIRST NATIONAL BANCORPORATION, INC. 1/
TOTAL LOANS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970 2/

(Dollar amounts in thousands)

	$10,001 - $50,000				$50,001 - $100,000				$100,001 and Over			
	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
Metropolitan Denver:												
City and County of Denver	1,256	58.6%	$ 28,305	59.4%	330	66.7%	$22,338	65.2%	287	66.4%	$135,380	61.2%
Denver Suburban:	512	23.9	10,735	22.5	62	12.5	4,399	12.8	32	7.4	11,259	5.1
City of Aurora	5	0.2	197	0.4	1	0.2	75	0.2	-	-	-	-
Adams County o/s Aurora	127	5.9	2,406	5.1	8	1.6	547	1.6	8	1.9	3,500	1.6
Arapahoe Co. o/s Aurora	209	9.7	4,554	9.6	40	8.1	2,982	8.7	12	2.8	3,728	1.7
Jefferson County	135	5.8	2,585	5.4	7	1.4	457	1.3	7	1.6	2,277	1.0
Boulder County	46	2.1	993	2.1	6	1.2	338	1.0	5	1.2	1,754	0.8
DENVER SMSA	1,768	82.5	39,040	82.0	392	79.2	26,737	78.1	319	73.8	146,639	66.3
City of Greeley	14	0.7	320	0.7	3	0.6	228	0.7	13	3.0	6,500	2.9
Greeley Area o/s City	8	0.4	167	0.4	6	1.2	321	0.9	5	1.2	2,017	0.9
GREELEY AREA*	22	1.0	487	1.0	9	1.8	549	1.6	18	4.2	8,517	3.9
Other Weld County	7	0.3	179	0.4	3	0.6	187	0.5	9	2.1	2,512	1.1
WELD COUNTY	29	1.4	666	1.4	12	2.4	736	2.1	27	6.3	11,029	5.0
Other Colorado	172	8.0	3,970	8.3	33	6.7	2,381	7.0	37	8.6	25,766	11.7
Outside Colorado	175	8.2	3,955	8.3	58	11.7	4,386	12.8	49	11.3	37,683	17.0
TOTAL	2,144	100.0%	$ 47,631	100.0%	495	100.0%	$34,238	100.0%	432	100.0%	$221,115	100.0%

Note: Detail may not always add to total due to rounding.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ Total of all existing subsidiary banks, i.e., First National Banks of Denver, Bear Valley, Northglenn and Southglenn.

2/ By stipulation of parties these figures are representative of the data as of 7-8-70.

Plaintiff's Exh. 49
1611
C-2413

FIRST NATIONAL BANCORPORATION, INC. 1/
COMMERCIAL AND INDUSTRIAL LOANS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970. 2/

(Dollar amounts in thousands)

	All Class Sizes				$1 - $2,500				$2,501 - $10,000			
	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
Metropolitan Denver:												
City and County of Denver	582	64.5%	$103,686	75.2%	40	46.0%	$ 64	48.1%	108	56.0%	$ 770	61.2%
Denver Suburban:	204	22.6	7,706	5.6	45	51.7	66	49.6	69	35.8	393	31.2
City of Aurora	2	0.2	77	0.1	1	1.1	2	1.5	-	-	-	-
Adams County o/s Aurora	18	2.0	1,946	1.4	1	1.1	2	1.5	5	2.6	22	1.7
Arapahoe Co. o/s Aurora	126	14.0	3,978	2.9	32	36.8	44	33.1	45	23.3	269	21.4
Jefferson County	44	4.9	742	0.5	8	9.2	12	9.0	18	9.3	99	7.9
Boulder County	14	1.6	963	0.7	3	3.4	6	4.5	1	0.5	3	0.2
DENVER SMSA	786	87.0	111,392	80.8	85	97.7	130	97.7	177	91.7	1,163	92.4
City of Greeley	2	0.2	2,712	2.0	-	-	-	-	-	-	-	-
Greeley Area o/s City	-	-	-	-	-	-	-	-	-	-	-	-
GREELEY AREA*	2	0.2	2,712	2.0	-	-	-	-	-	-	-	-
Other Weld County	4	0.4	1,353	1.0	-	-	-	-	1	0.5	6	0.5
WELD COUNTY	6	0.7	4,065	2.9	-	-	-	-	1	0.5	6	0.5
Other Colorado	42	4.7	4,956	3.6	1	1.1	2	1.5	7	3.6	54	4.3
Outside Colorado	69	7.6	17,390	12.6	1	1.1	1	0.8	8	4.1	36	2.9
TOTAL	903	100.0%	$137,802	100.0%	87	100.0%	$ 133	100.0%	193	100.0%	$ 1,258	100.0%

Note: Detail may not always add to total due to rounding.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ Total of all existing subsidiary banks, i.e., First National Banks of Denver, Bear Valley, Northglenn and Southglenn.

2/ By stipulation of parties these figures are representative of the date as of 7-8-70.

FIRST NATIONAL BANCORPORATION, INC. 1/
COMMERCIAL AND INDUSTRIAL LOANS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970 2/

(Dollar amounts in thousands)

	$10,001 - $50,000				$50,001 - $100,000				$100,001 and Over			
	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
Metropolitan Denver:												
City and County of Denver	187	66.3%	$ 4,670	67.5%	82	59.9%	$5,490	56.2%	165	80.9%	$ 92,693	77.4%
Denver Suburban:	53	18.8	1,234	17.8	24	17.5	1,821	18.6	13	6.4	4,194	3.5
City of Aurora	-	-	-	-	1	0.7	75	0.8	-	-	-	-
Adams County o/s Aurora	5	1.8	181	2.6	3	2.2	202	2.1	4	2.0	1,539	1.3
Arapahoe Co. o/s Aurora	29	10.3	606	8.8	15	10.9	1,216	12.4	5	2.5	1,844	1.5
Jefferson County	15	5.3	343	5.0	2	1.5	113	1.2	1	0.5	176	0.1
Boulder County	4	1.4	104	1.5	3	2.2	215	2.2	3	1.5	635	0.5
DENVER SMSA	240	85.1	5,904	85.3	106	77.4	7,311	74.8	178	87.3	96,887	80.9
City of Greeley	-	-	-	-	-	-	-	-	2	1.0	2,712	2.3
Greeley Area o/s City	-	-	-	-	-	-	-	-	-	-	-	-
GREELEY AREA *	-	-	-	-	-	-	-	-	2	1.0	2,712	2.3
Other Weld County	1	0.4	22	0.3	-	-	-	-	2	1.0	1,325	1.1
WELD COUNTY	1	0.4	22	0.3	-	-	-	-	4	2.0	4,037	3.4
Other Colorado	21	7.4	434	6.3	8	5.8	537	5.5	5	2.5	3,929	3.3
Outside Colorado	20	7.1	560	8.1	23	16.8	1,923	19.7	17	8.3	14,871	12.4
TOTAL	282	100.0%	$ 6,919	100.0%	137	100.0%	$9,771	100.0%	204	100.0%	$119,724	100.0%

Note: Detail may not always add to total due to rounding.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ Total of all existing subsidiary banks, i.e., First National Banks of Denver, Bear Valley, Northglenn and Southglenn.

2/ By stipulation of parties these figures are representative of the data as of 7-8-70.

FIRST NATIONAL BANCORPORATION, INC. 1/
SINGLE PAYMENT LOANS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970 2/

Plaintiff's Exhibit 50
4-2413

(Dollar amounts in thousands)

	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
Metropolitan Denver:	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
	All Class Sizes				$1 - $2,500				$2,501 - $10,000			
City and County of Denver	865	62.4%	$5,081	77.8%	666	62.6%	$ 658	64.7%	147	61.0%	$ 656	59.3%
Denver Suburban:	446	32.2	1,125	17.2	354	33.3	314	30.9	72	29.9	334	30.2
City of Aurora	17	1.2	14	0.2	17	1.6	14	1.4	-	-	-	-
Adams County o/s Aurora	73	5.3	136	2.1	64	6.0	39	3.8	7	2.9	24	2.2
Arapahoe Co. o/s Aurora	239	17.2	682	10.4	181	17.0	178	17.5	43	17.8	205	18.5
Jefferson County	108	7.8	284	4.4	84	7.9	77	7.6	21	8.7	102	9.2
Boulder County	9	0.6	9	0.1	8	0.8	6	0.6	1	0.4	3	0.3
DENVER SMSA	1,311	94.6	6,206	95.1	1,020	95.9	972	95.6	219	90.9	990	89.5
City of Greeley	-	-	-	-	-	-	-	-	-	-	-	-
Greeley Area o/s City	-	-	-	-	-	-	-	-	-	-	-	-
GREELEY AREA*	-	-	-	-	-	-	-	-	-	-	-	-
Other Weld County	2	0.1	12	0.2	1	0.1	2	0.2	1	0.4	10	0.9
WELD COUNTY	2	0.1	12	0.2	1	0.1	2	0.2	1	0.4	10	0.9
Other Colorado	33	2.4	108	1.7	17	1.6	16	1.6	13	5.4	47	4.2
Outside Colorado	40	2.9	203	3.1	26	2.4	26	2.6	8	3.3	60	5.4
TOTAL	1,386	100.0%	$6,527	100.0%	1,064	100.0%	$1,017	100.0%	241	100.0%	$1,106	100.0%

Note: Detail may not always add to total due to rounding.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ Total of all existing subsidiary banks, i.e., First National Banks of Denver, Bear Valley, Northglenn and Southglenn.

2/ By stipulation of parties these figures are representative of the data as of 7-8-70.

FIRST NATIONAL BANCORPORATION, INC. 1/
SINGLE PAYMENT LOANS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970 2/

(Dollar amounts in thousands)

	$10,001 - $50,000				$50,001 - $100,000				$100,001 and Over			
	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
Metropolitan Denver:												
City and County of Denver	36	57.1%	$ 696	57.3%	8	80.0%	$ 575	82.5%	8	100.0%	$2,495	100.0%
Denver Suburban:	18	28.6	355	29.2	2	20.0	122	17.5	-	-	-	-
City of Aurora	-	-	-	-	-	-	-	-	-	-	-	-
Adams County o/s Aurora	2	3.2	72	5.9	-	-	-	-	-	-	-	-
Arapahoe Co. o/s Aurora	14	22.2	234	19.3	1	10.0	65	9.3	-	-	-	-
Jefferson County	2	3.2	49	4.0	1	10.0	57	8.2	-	-	-	-
Boulder County	-	-	-	-	-	-	-	-	-	-	-	-
DENVER SMSA	54	85.7	1,051	86.6	10	100.0	697	100.0	8	100.0	2,495	100.0
City of Greeley	-	-	-	-	-	-	-	-	-	-	-	-
Greeley Area o/s City	-	-	-	-	-	-	-	-	-	-	-	-
GREELEY AREA*	-	-	-	-	-	-	-	-	-	-	-	-
Other Weld County	-	-	-	-	-	-	-	-	-	-	-	-
WELD COUNTY	-	-	-	-	-	-	-	-	-	-	-	-
Other Colorado	3	4.8	46	3.8	-	-	-	-	-	-	-	-
Outside Colorado	6	9.5	117	9.6	-	-	-	-	-	-	-	-
TOTAL	63	100.0%	$1,214	100.0%	10	100.0%	$ 697	100.0%	8	100.0%	$2,495	100.0%

Note: Detail may not always add to total due to rounding.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ Total of all existing subsidiary banks, i.e., First National Banks of Denver, Bear Valley, Northglenn and Southglenn.

2/ By stipulation of parties these figures are representative of the data as of 7-8-70.

Plaintiff's Exhibit 51
C-2413

LOANS TO INDIVIDUALS ON INSTALLMENT BASIS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970. 2/

(Dollar amounts in thousands)

	All Class Sizes				$1 - $2,500				$2,501 - $10,000			
	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
Metropolitan Denver:	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
City and County of Denver	6,139	42.0%	$11,193	42.7%	4,811	42.5%	$ 4,656	40.9%	1,279	40.2%	$ 4,665	40.9%
Denver Suburban:	6,884	47.1	11,282	43.0	5,314	47.0	5,420	47.6	1,549	48.6	5,446	47.8
City of Aurora	883	6.0	1,648	6.3	637	5.6	737	6.5	245	7.7	866	7.6
Adams County o/s Aurora	2,576	17.6	3,981	15.2	2,026	17.9	1,995	17.5	546	17.1	1,879	16.5
Arapahoe Co. o/s Aurora	1,283	8.8	1,923	7.3	1,026	9.1	956	8.4	250	7.8	861	7.6
Jefferson County	1,871	12.8	3,217	12.3	1,420	12.5	1,514	13.3	444	13.9	1,598	14.0
Boulder County	271	1.9	513	2.0	205	1.8	218	1.9	64	2.0	242	2.1
DENVER SMSA	13,023	89.2	22,475	85.7	10,125	89.5	10,076	88.4	2,828	88.8	10,111	88.7
City of Greeley	36	0.2	60	0.2	28	0.2	31	0.3	8	0.3	29	0.3
Greeley Area o/s City	4	x	4	x	4	x	4	x	-	-	-	-
GREELEY AREA*	40	0.3	64	0.2	32	0.3	35	0.3	8	0.3	29	0.3
Other Weld County	59	0.4	100	0.4	33	0.3	33	0.3	16	0.5	67	0.6
WELD COUNTY	89	0.6	164	0.6	65	0.6	68	0.6	24	0.8	96	0.8
Other Colorado	582	4.0	1,295	4.9	397	3.5	472	4.1	179	5.6	643	5.6
Outside Colorado	909	6.2	2,285	8.7	729	6.4	774	6.8	154	4.8	549	4.8
TOTAL	14,603	100.0%	$26,220	100.0%	11,316	100.0%	$11,391	100.0%	3,185	100.0%	$11,400	100.0%

Note: Detail may not always add to total due to rounding.
x Less than 0.05 percent.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ Total of all existing subsidiary banks, i.e., First National Banks of Denver, Bear Valley, Northglenn and Southglenn.

2/ By stipulation of parties these figures are representative of the data as of 7-8-70.

FIRST NATIONAL BANCORPORATION, INC. 1/
LOANS TO INDIVIDUALS ON INSTALLMENT BASIS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970. 2/

(Dollar amounts in thousands)

	$10,001 - $20,000				$20,001 - $100,000				$100,001 and Over			
	Number	%	Amount	%	Number	%	Amount	%	Number	%	Amount	%
Metropolitan Denver:												
City and County of Denver	38	45.2%	$ 749	42.4%	8	57.1%	$ 658	59.4%	3	75.0%	$ 513	80.6%
Denver Suburbs:	21	25.0	416	23.6	-	-	-	-	-	-	-	-
City of Aurora	1	1.2	45	2.5	-	-	-	-	-	-	-	-
Adams County o/s Aurora	4	4.8	107	6.1	-	-	-	-	-	-	-	-
Arapahoe Co. o/s Aurora	7	8.3	106	6.0	-	-	-	-	-	-	-	-
Jefferson County	7	8.3	105	5.9	-	-	-	-	-	-	-	-
Boulder County	2	2.4	53	3.0	-	-	-	-	-	-	-	-
DENVER SMSA	59	70.2	1,183	66.9	8	57.1	658	59.4	3	75.0	513	80.6
City of Greeley	-	-	-	-	-	-	-	-	-	-	-	-
Greeley Area o/s City	-	-	-	-	-	-	-	-	-	-	-	-
GREELEY AREA*	-	-	-	-	-	-	-	-	-	-	-	-
Other Weld County	-	-	-	-	-	-	-	-	-	-	-	-
WELD COUNTY	-	-	-	-	-	-	-	-	-	-	-	-
Other Colorado	5	6.0	99	5.6	1	7.1	81	7.3	-	-	-	-
Outside Colorado	20	23.8	502	28.4	5	35.7	334	32.8	1	25.0	124	19.4
TOTAL	84	100.0	$ 1,783	100.0%	14	100.0%	$ 1,024	100.0%	4	100.0%	$ 639	100.0%

Note: Detail may not always add to total due to rounding.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Briscoell.

1/ Total of all existing subsidiary banks, i.e., First National Banks of Denver, Bear Valley, Northglenn and Southglenn.

2/ By stipulation of parties these figures are representative of the data as of 7-8-70.

FIRST NATIONAL BANCORPORATION, INC. 1/
REAL ESTATE LOANS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970 2/

(Dollar amounts in thousands)

	MONTHLY		DOLLAR AMOUNT		MONTHLY		DOLLAR AMOUNT		MONTHLY		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
	All Class Sizes				$1 - $2,500				$2,501 - $10,000			
Metropolitan Denver:												
City and County of Denver	632	57.8%	$20,955	60.3%	2	40.0%	$ 3	33.3%	35	48.6%	$ 266	31.0%
Denver Suburban:	328	30.0	7,881	22.7	2	40.0	4	44.4	30	41.7	195	37.4
City of Aurora	1	0.1	49	0.1	-	-	-	-	-	-	-	-
Adams County o/s Aurora	102	9.3	1,668	4.8	-	-	-	-	5	6.9	32	6.1
Arapahoe Co. o/s Aurora	101	9.2	2,397	6.9	1	20.0	2	22.2	12	16.7	87	16.7
Jefferson County	87	8.0	1,976	5.7	1	20.0	2	22.2	12	16.7	73	14.0
Boulder County	37	3.4	1,801	5.2	-	-	-	-	1	1.4	3	0.6
DENVER SMSA	960	87.8	28,846	83.0	4	80.0	7	77.8	65	90.3	461	88.3
City of Greeley	11	1.0	553	1.6	-	-	-	-	1	1.4	8	1.5
Greeley Area o/s City	1	0.1	10	x	-	-	-	-	1	1.4	9	1.7
GREELEY AREA*	12	1.1	563	1.6	-	-	-	-	2	2.8	17	3.3
Other Weld County	2	0.2	70	0.2	-	-	-	-	-	-	-	-
WELD COUNTY	14	1.3	633	1.8	-	-	-	-	2	2.8	17	3.3
Other Colorado	106	9.7	4,545	13.1	1	20.0	2	22.2	3	4.2	25	4.8
Outside Colorado	13	1.2	736	2.1	-	-	-	-	2	2.8	19	3.6
TOTAL	1,093	100.0%	$34,762	100.0%	5	100.0%	$ 9	100.0%	72	100.0%	$ 522	100.0%

Note: Detail may not always add to total due to rounding.
x Less than 0.05 percent.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Pe[illegible], Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ Total of all existing subsidiary banks, i.e., First National Banks of Denver, Bear Valley, Northglenn and Southglenn.

2/ By stipulation of parties these figures are representative of the data as of 7-8-70.

FIRST NATIONAL BANCORPORATION, INC. 1/
REAL ESTATE LOANS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970 2/

(Dollar amounts in thousands)

	$10,001 - $50,000				$50,001 - $100,000				$100,001 and Over			
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
Metropolitan Denver:												
City and County of Denver	484	54.4%	$ 9,202	54.0%	113	83.7%	$7,294	80.0%	16	59.3%	$4,190	51.9%
Denver Suburban:	286	33.5	5,775	33.9	6	4.4	435	4.8	4	14.8	1,483	18.4
City of Aurora	1	0.1	49	0.3	-	-	-	-	-	-	-	-
Adams County o/s Aurora	97	11.4	1,636	9.6	-	-	-	-	-	-	-	-
Arapahoe Co. o/s Aurora	84	9.8	2,025	11.9	4	3.0	286	3.1	-	-	-	-
Jefferson County	71	8.3	1,439	8.4	1	0.7	98	1.1	2	7.4	386	4.5
Boulder County	33	3.9	626	3.7	1	0.7	53	0.6	2	7.4	1,119	13.9
DENVER SMSA	732	88.1	14,977	87.9	119	88.1	7,729	84.7	20	74.1	5,673	70.2
City of Greeley	8	0.9	160	0.9	-	-	-	-	2	7.4	386	4.8
Greeley Area o/s City	-	-	-	-	-	-	-	-	-	-	-	-
GREELEY AREA*	8	0.9	160	0.9	-	-	-	-	2	7.4	386	4.8
Other Weld County	1	0.1	16	0.1	1	0.7	54	0.6	-	-	-	-
WELD COUNTY	9	1.1	176	1.0	1	0.7	54	0.6	2	7.4	386	4.8
Other Colorado	89	10.4	1,760	10.3	8	5.9	741	8.1	5	18.5	2,019	25.0
Outside Colorado	4	0.5	121	0.7	7	5.2	596	6.5	-	-	-	-
TOTAL	834	100.0%	$17,034	100.0%	135	100.0%	$9,120	100.0%	27	100.0%	$8,078	100.0%

Note: Detail may not always add to total due to rounding.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ Total of all existing subsidiary banks, i.e., First National Banks of Denver, Bear Valley, Northglenn and Southglenn.

2/ By stipulation of parties these figures are representative of the data as of 7-8-70.

FIRST NATIONAL BANCORPORATION, INC. 1/

LOANS TO FARMERS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970 2/

(Dollar amounts in thousands)

	All Class Sizes				$1 - $2,500				$2,501 - $10,000			
	Number	%	Dollar Amount	%	Number	%	Dollar Amount	%	Number	%	Dollar Amount	%
Metropolitan Denver:												
City and County of Denver	16	13.8%	$ 2,345	8.8%	-	-	-	-	1	12.5%	4	7.1%
Denver Suburbs:	12	10.3	923	3.2	-	-	-	-	3	37.5	20	35.7
City of Aurora	-	-	-	-	-	-	-	-	-	-	-	-
Adams County o/s Aurora	4	3.4	580	2.0	-	-	-	-	1	12.5	6	10.7
Arapahoe Co. o/s Aurora	3	2.6	210	0.7	-	-	-	-	-	-	-	-
Jefferson County	1	0.9	8	*	-	-	-	-	1	12.5	8	14.3
Boulder County	4	3.4	125	0.4	-	-	-	-	1	12.5	6	10.7
DENVER SMSA	28	24.1	3,488	12.0	-	-	-	-	4	50.0	24	42.9
City of Greeley	17	14.7	3,771	13.0	-	-	-	-	-	-	-	-
Greeley Area o/s City	3	2.6	956	3.3	-	-	-	-	-	-	-	-
GREELEY AREA*	20	17.2	4,727	16.3	-	-	-	-	-	-	-	-
Other Weld County	11	9.5	1,073	3.7	-	-	-	-	-	-	-	-
WELD COUNTY	31	26.7	5,800	20.0	-	-	-	-	-	-	-	-
Other Colorado	48	41.4	15,128	52.0	-	-	-	-	4	50.0	32	57.1
Outside Colorado	9	7.8	4,658	16.0	-	-	-	-	-	-	-	-
TOTAL	116	100.0%	$29,069	100.0%	-	-	-	-	8	100.0%	56	100.0%

Note: Detail may not always add to total due to rounding.
* Less than 0.05 percent.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Pea[illegible] Kersey, Gill, Eaton, Lucerne, Farmers and Brucewell.

1/ Total of all existing subsidiary banks, i.e., First National Banks of Denver, Bear Valley, Northglenn and Southglenn.

2/ By stipulation of parties these figures are representative of the data as of 7-8-70.

FIRST NATIONAL BANCORPORATION, INC. 1/
LOANS TO FARMERS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970 2/

(Dollar amounts in thousands)

	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
	$10,001 - $50,000				$50,001 - $100,000				$100,001 and Over			
Metropolitan Denver:												
City and County of Denver	2	6.3%	$ 64	6.1%	2	8.7%	$ 113	7.9%	11	20.8%	$ 2,384	9.0%
Denver Suburban:	3	9.4	115	11.0	4	17.4	194	13.6	2	3.8	596	2.2
City of Aurora	-	-	-	-	-	-	-	-	-	-	-	-
Adams County o/s Aurora	1	3.1	42	4.0	1	4.3	64	4.5	1	1.9	468	1.8
Arapahoe Co. o/s Aurora	1	3.1	23	2.2	1	4.3	60	4.2	1	1.9	128	0.5
Jefferson County	-	-	-	-	-	-	-	-	-	-	-	-
Boulder County	1	3.1	50	4.8	2	8.7	70	4.9	-	-	-	-
DENVER SMSA	5	15.6	179	17.1	6	26.1	307	21.5	13	24.5	2,980	11.2
City of Greeley	5	15.6	140	13.4	3	13.0	228	16.0	9	17.0	3,403	12.8
Greeley Area o/s City	1	3.1	22	2.1	1	4.3	51	3.6	1	1.9	883	3.3
GREELEY AREA*	6	18.8	162	15.5	4	17.4	279	19.6	10	18.9	4,286	16.1
Other Weld County	3	9.4	98	9.4	2	8.7	103	7.2	6	11.3	872	3.3
WELD COUNTY	9	28.1	260	24.9	6	26.1	382	26.8	16	30.2	5,158	19.4
Other Colorado	16	50.0	545	52.2	8	34.8	546	38.3	20	37.7	14,006	52.8
Outside Colorado	2	6.3	62	5.9	3	13.0	192	13.5	4	7.5	4,404	16.6
TOTAL	32	100.0%	$ 1,045	100.0%	23	100.0%	$1,425	100.0%	53	100.0%	$26,545	100.0%

Note: Detail may not always add to total due to rounding.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ Total of all existing subsidiary banks, i.e., First National Banks of Denver, Bear Valley, Northglenn and Southglenn.

2/ By stipulation of parties these figures are representative of the data as of 7-8-70.

FIRST NATIONAL BANK OF DENVER

DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS, BY CLASS SIZE, BY LOCATION OF DEPOSITOR, AUGUST 31, 1970 1/

(Dollar amounts in thousands)

	All Class Sizes				$1 - $1,000				$1,001 - $10,000			
	NUMBER No.	NUMBER %	DOLLAR AMOUNT Amount	DOLLAR AMOUNT %	NUMBER No.	NUMBER %	DOLLAR AMOUNT Amount	DOLLAR AMOUNT %	NUMBER No.	NUMBER %	DOLLAR AMOUNT Amount	DOLLAR AMOUNT %
Metropolitan Denver:												
City and County of Denver	27,528	70.6%	$148,806	71.8%	18,738	69.2%	$ 5,642	65.9%	7,168	74.1%	$ 21,855	75.1%
Denver Suburbs:												
City of Aurora	1,652	4.2	1,005	0.5	1,630	6.0	613	7.2	12	0.1	36	0.1
Adams County o/o Aurora	1,677	4.3	3,189	1.5	1,301	4.8	512	6.0	331	3.4	846	2.9
Arapahoe Co. o/o Aurora	1,930	5.0	5,366	2.6	1,293	4.8	439	5.1	546	5.6	1,648	5.7
Jefferson County	3,119	8.0	15,050	7.3	2,295	8.5	811	9.5	740	7.7	1,925	6.6
Boulder County	447	1.1	1,051	0.5	337	1.2	96	1.1	93	1.0	270	0.9
DENVER SMSA	36,353	93.3	174,667	84.2	25,394	94.5	8,113	94.8	8,890	91.9	26,580	91.3
City of Greeley	38	0.1	38	x	30	0.1	8	0.1	7	0.1	19	0.1
Greeley Area o/o City	3	x	7	x	-	-	-	-	3	x	7	x
GREELEY AREA*	41	0.1	45	x	30	0.1	8	0.1	10	0.1	26	0.1
Other Weld County	51	0.1	154	0.1	40	0.1	13	0.2	9	0.1	25	0.1
WELD COUNTY	92	0.2	199	0.1	70	0.3	21	0.2	19	0.2	51	0.2
Other Colorado	856	2.2	3,494	1.8	506	1.9	164	1.9	286	3.0	800	2.7
Outside Colorado	1,671	4.3	28,776	13.9	913	3.4	264	3.1	478	4.9	1,679	5.8
TOTAL	38,972	100.0%	$207,135	100.0%	27,083	100.0%	$ 8,562	100.0%	9,673	100.0%	$ 29,110	100.0%

Note: Detail may not always add to total due to rounding.
x Less than 0.05 percent.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 7.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Pe... Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ By stipulation of parties these figures are representative of the data as of 7-8-70.

FIRST NATIONAL BANK OF DENVER

DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS, BY CLASS SIZE, BY LOCATION OF DEPOSITOR, AUGUST 31, 1970. 1/

(Dollar amounts in thousands)

	$10,001 - $50,000				$50,001 - $100,000				$100,001 and Over			
	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
Metropolitan Denver:												
City and County of Denver	1,198	74.0%	$ 25,321	76.2%	199	70.8%	$14,244	72.1%	225	71.4%	$ 81,744	70.2%
Denver Suburban:	206	12.6	4,134	12.4	21	7.5	1,480	7.5	22	7.0	12,849	11.0
City of Aurora	7	0.4	145	0.4	3	1.1	211	1.1	-	-	-	-
Adams County o/s Aurora	36	2.2	827	2.5	3	1.1	189	1.0	6	1.9	815	0.7
Arapahoe Co. o/s Aurora	76	4.7	1,535	4.6	10	3.6	715	3.6	5	1.6	1,028	0.9
Jefferson County	70	4.3	1,362	4.1	5	1.8	365	1.8	9	2.9	10,588	9.1
Boulder County	15	0.9	267	0.8	-	-	-	-	2	0.6	418	0.4
DENVER SMSA	1,402	86.5	29,457	88.7	220	78.3	15,724	79.6	247	78.4	94,593	81.2
City of Greeley	1	0.1	12	x	-	-	-	-	-	-	-	-
Greeley Area o/s City	-	-	-	-	-	-	-	-	-	-	-	-
GREELEY AREA*	1	0.1	12	x	-	-	-	-	-	-	-	-
Other Weld County	-	-	-	-	2	1.7	115	0.6	-	-	-	-
WELD COUNTY	1	0.1	12	x	2	0.7	115	0.6	-	-	-	-
Other Colorado	50	3.1	756	2.3	7	2.5	397	2.0	7	2.2	1,577	1.4
Outside Colorado	167	10.3	3,002	9.0	52	18.5	3,510	17.8	61	19.4	20,321	17.4
TOTAL	1,620	100.0%	$ 33,226	100.0%	281	100.0%	$19,746	100.0%	315	100.0%	$116,491	100.0%

Note: Detail may not always add to total due to rounding.
x Less than 0.05 percent.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 3.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Pearson, Kersey, Gill, Eaton, Lucerne, Parwers and Bracewell.

1/ By stipulation of parties these figures are representative of the data as of 7-8-70.

FIRST NATIONAL BANK OF DENVER
SAVINGS DEPOSITS, BY CLASS SIZE, BY LOCATION OF DEPOSITOR, AUGUST 31, 1970. 1/
(Dollar amounts in thousands)

	All Class Sizes				$1 - $1,000				$1,001 - $10,000			
	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
Metropolitan Denver:												
City and County of Denver	25,952	68.6%	$70,759	72.6%	15,993	67.7%	$2,821	66.9%	7,926	70.6%	$28,196	71.5%
Denver Suburban:	9,017	23.8	16,773	17.2	6,249	26.2	1,069	25.3	2,322	20.7	7,546	19.1
City of Aurora	1,694	4.5	2,236	2.3	1,257	5.3	203	4.8	386	3.4	1,104	2.8
Adams County o/s Aurora	2,339	6.2	2,967	3.0	1,785	7.5	244	5.8	478	4.3	1,531	3.9
Arapahoe Co. o/s Aurora	1,524	4.0	4,224	4.3	983	4.1	207	4.9	431	3.8	1,456	3.7
Jefferson County	3,072	8.1	6,242	6.4	1,996	8.4	378	9.0	900	8.0	2,986	7.6
Boulder County	388	1.0	1,104	1.1	228	1.0	37	0.9	127	1.1	469	1.2
DENVER SMSA	34,969	92.4	87,532	89.9	22,242	93.4	3,890	92.2	10,248	91.2	35,742	90.6
City of Greeley	33	0.1	65	0.1	21	0.1	3	0.1	11	0.1	64	0.1
Greeley Area o/s City	3	x	1	x	3	x	-	-	-	-	-	-
GREELEY AREA*	36	0.1	66	0.1	24	0.1	3	0.1	11	0.1	64	0.1
Other Weld County	61	0.2	241	0.2	26	0.1	5	0.1	27	0.2	115	0.3
WELD COUNTY	97	0.3	307	0.3	50	0.2	8	0.2	38	0.3	159	0.4
Other Colorado	953	2.5	4,182	4.3	464	1.9	113	2.7	356	3.2	1,395	3.5
Outside Colorado	1,812	4.8	5,367	5.5	1,054	4.4	207	4.9	592	5.3	2,144	5.4
TOTAL	37,831	100.0%	$97,388	100.0%	$23,810	100.0%	$4,218	100.0%	11,234	100.0%	$39,440	100.0%

Note: Detail may not always add to total due to rounding.
x Less than 0.05 percent.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 7.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Pe[illegible] Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ By stipulation of parties these figures are representative of the data as of 7-8-70.

FIRST NATIONAL BANK OF DENVER
SAVINGS DEPOSITS, BY CLASS SIZE, BY LOCATION OF DEPOSITOR, AUGUST 31, 1970. 1/
(Dollar amounts in thousands)

	$10,001 - $50,000				$50,001 - $100,000				$100,001 and Over			
	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
Metropolitan Denver:												
City and County of Denver	1,941	72.8%	$32,101	73.5%	72	73.5%	$4,902	72.3%	20	83.3%	$ 2,737	83.6%
Denver Suburbs:	428	16.1	6,790	15.5	16	16.3	1,097	16.2	2	8.3	272	8.3
City of Aurora	48	1.8	760	1.7	3	3.1	169	2.5	-	-	-	-
Adams County o/s Aurora	75	2.8	1,123	2.6	1	1.0	70	1.0	-	-	-	-
Arapahoe Co. o/s Aurora	102	3.8	1,832	4.2	6	6.1	457	6.7	2	8.3	272	8.3
Jefferson County	172	6.5	2,599	6.0	4	4.1	278	4.1	-	-	-	-
Boulder County	31	1.2	476	1.1	2	2.0	123	1.8	-	-	-	-
DENVER SMSA	2,369	88.9	38,891	89.0	88	89.8	5,999	88.5	22	91.7	3,009	92.0
City of Greeley	1	x	18	x	-	-	-	-	-	-	-	-
Greeley Area o/s City	-	-	-	-	-	-	-	-	-	-	-	-
GREELEY AREA*	1	x	18	x	-	-	-	-	-	-	-	-
Other Weld County	8	0.3	121	0.3	-	-	-	-	-	-	-	-
WELD COUNTY	9	0.3	139	0.3	-	-	-	-	-	-	-	-
Other Colorado	126	4.7	2,073	4.7	6	6.1	480	7.1	1	4.2	121	3.7
Outside Colorado	161	6.0	2,573	5.9	4	4.1	302	4.5	1	4.2	140	4.3
TOTAL	2,665	100.0%	$43,677	100.0%	98	100.0%	$6,782	100.0%	24	100.0%	$ 3,272	100.0%

Note: Detail may not always add to total due to rounding.
x Less than 0.05 percent.
Source: Defendant's Answer to Plaintiff's Interrogatory No. 7.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Pe[illegible], Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ By stipulation of parties these figures are representative of the date as of 7-8-70.

1325 Plaintiff's Exhibit 56 C-3413

FIRST NATIONAL BANK OF DENVER

TIME DEPOSITS OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS, BY CLASS SIZE, BY LOCATION OF DEPOSITOR, AUGUST 31, 1970. 1/

(Dollar amounts in thousands)

	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
	All Class Sizes				$1 - $1,000				$1,001 - $10,000			
Metropolitan Denver:												
City and County of Denver	3,414	71.3%	$71,710	79.5%	803	70.4%	$ 758	71.0%	1,983	71.0%	$11,056	70.2%
Denver Suburban:	830	17.3	9,712	10.8	264	23.1	239	22.4	462	16.5	2,584	16.4
City of Aurora	119	2.5	535	0.6	43	3.8	39	3.7	66	2.4	339	2.2
Adams County o/s Aurora	128	2.7	771	0.9	38	3.3	32	3.0	75	2.7	463	2.7
Arapahoe Co. o/s Aurora	184	3.8	1,566	1.7	69	6.0	62	5.8	98	3.5	518	3.3
Jefferson County	344	7.2	6,473	7.2	96	8.4	88	8.2	196	7.0	1,108	7.0
Boulder County	55	1.1	367	0.4	18	1.6	18	1.7	27	1.0	156	1.0
DENVER SMSA	4,244	88.7	81,422	90.3	1,067	93.5	997	93.4	2,445	87.5	13,640	85.6
City of Greeley	10	0.2	165	0.2	-	-	-	-	7	0.3	35	0.2
Greeley Area o/s City	-	-	-	-	-	-	-	-	-	-	-	-
GREELEY AREA*	10	0.2	165	0.2	-	-	-	-	7	0.3	35	0.2
Other Weld County	3	0.1	28	x	-	-	-	-	2	0.1	13	0.1
WELD COUNTY	13	0.3	193	0.2	-	-	-	-	9	0.3	48	0.3
Other Colorado	261	5.5	3,182	3.5	38	3.3	37	3.5	169	6.0	1,029	6.5
Outside Colorado	267	5.6	5,377	6.0	36	3.2	35	3.3	171	6.1	1,041	6.6
TOTAL	4,785	100.0%	$90,174	100.0%	1,141	100.0%	$ 1,068	100.0%	2,794	100.0%	$15,758	100.0%

Note: Detail may not always add to total due to rounding.
x Less than 0.05 percent.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 7.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ By stipulation of parties these figures are representative of the data as of 7-8-70.

FIRST NATIONAL BANK OF DENVER

TIME DEPOSITS OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS, BY CLASS SIZE, BY LOCATION OF DEPOSITOR, AUGUST 31, 1970. 1/

(Dollar amounts in thousands)

	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
	$10,001 - $50,000				$50,001 - $100,000				$100,001 and Over			
Metropolitan Denver:												
City and County of Denver	420	69.2%	$ 7,965	69.5%	93	82.3%	$ 8,772	82.5%	115	88.5%	$43,157	84.2%
Denver Suburban:	89	14.7	1,705	14.9	9	8.0	827	7.8	6	4.6	4,357	8.5
City of Aurora	10	1.6	158	1.4	-	-	-	-	-	-	-	-
Adams County o/s Aurora	15	2.5	275	2.4	-	-	-	-	-	-	-	-
Arapahoe Co. o/s Aurora	9	1.5	177	1.5	6	5.3	562	5.3	2	1.5	247	0.5
Jefferson County	45	7.4	902	7.9	3	2.7	265	2.5	4	3.1	4,110	8.0
Boulder County	10	1.6	193	1.7	-	-	-	-	-	-	-	-
DENVER SMSA	509	83.9	9,670	84.4	102	90.3	9,599	90.3	121	93.1	47,514	92.7
City of Greeley	2	0.3	30	0.3	1	0.9	100	0.9	-	-	-	-
Greeley Area o/s City	-	-	-	-	-	-	-	-	-	-	-	-
GREELEY AREA*	2	0.3	30	0.3	1	0.9	100	0.9	-	-	-	-
Other Weld County	1	0.2	15	0.1	1	-	-	-	-	-	-	-
WELD COUNTY	3	0.5	45	0.4	1	0.9	100	0.9	-	-	-	-
Other Colorado	45	7.4	832	7.3	6	5.3	560	5.3	3	2.3	725	1.4
Outside Colorado	50	8.2	914	8.0	4	3.5	368	3.5	6	4.6	3,020	5.9
TOTAL	607	100.0%	$11,461	100.0%	113	100.0%	$10,627	100.0%	130	100.0%	$51,259	100.0%

Note: Detail may not always add to total due to rounding.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 7.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ By stipulation of parties these figures are representative of the data as of 7-8-70.

FIRST NATIONAL BANK OF DENVER
TOTAL LOANS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970. 1/
(Dollar amounts in thousands)

C-2413

	All Class Sizes				$1 - $2,500				$2,501 - $10,000			
	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
Metropolitan Denver:												
City and County of Denver	9,191	50.0%	$196,044	60.7%	5,515	48.1%	$ 5,394	46.6%	1,928	46.9%	$ 8,797	47.7%
Denver Suburban:	5,364	29.2	33,228	10.3	3,566	31.1	3,686	31.8	1,274	31.0	5,200	28.2
City of Aurora	962	5.2	1,980	0.6	705	6.1	772	6.7	251	6.1	937	5.1
Adams County o/s Aurora	1,677	9.1	8,331	2.6	1,166	10.2	1,180	10.2	389	9.5	1,446	7.8
Arapahoe Co. o/s Aurora	715	3.9	11,447	3.5	343	3.0	335	2.9	156	3.8	830	4.5
Jefferson County	1,699	9.2	7,965	2.5	1,163	10.1	1,208	10.4	411	10.0	1,704	9.2
Boulder County	311	1.7	3,505	1.1	189	1.6	191	1.7	67	1.6	283	1.5
DENVER SMSA	14,555	79.2	229,272	70.9	9,081	79.2	9,080	78.5	3,202	77.9	13,997	75.9
City of Greeley	56	0.3	6,650	2.1	22	0.2	26	0.2	10	0.2	43	0.2
Greeley Area o/s City	35	0.2	2,489	0.8	10	0.1	9	0.1	8	0.2	46	0.2
GREELEY AREA*	91	0.5	9,139	2.8	32	0.3	35	0.3	18	0.4	89	0.5
Other Weld County	42	0.2	2,248	0.7	24	0.2	24	0.2	10	0.2	38	0.2
WELD COUNTY	133	0.7	11,387	3.5	56	0.5	59	0.5	28	0.7	1,127	0.7
Other Colorado	840	4.6	32,064	9.9	410	3.6	463	4.0	214	5.2	929	5.0
Outside Colorado	2,849	15.5	50,458	15.6	1,919	16.7	1,973	17.0	668	16.2	3,381	18.3
TOTAL	18,377	100.0%	$323,182	100.0%	11,466	100.0%	$11,574	100.0%	4,112	100.0%	$ 18,433	100.0%

Note: Detail may not always add to total due to rounding.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ By stipulation of parties these figures are representative of the data as of 7-8-70.

FIRST NATIONAL BANK OF DENVER
TOTAL LOANS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970. 1/
(Dollar amounts in thousands)

	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
	$10,001 - $50,000				$50,001 - $100,000				$100,001 and Over			
Metropolitan Denver:												
City and County of Denver	1,155	59.7%	$ 25,478	60.1%	307	67.9%	$21,124	66.3%	286	69.2%	$135,242	61.8%
Denver Suburban:	438	22.6	9,250	21.8	55	12.2	3,965	12.4	31	7.5	11,131	5.1
City of Aurora	5	0.3	197	0.5	1	0.2	75	0.2	-	-	-	-
Adams County o/s Aurora	112	5.8	2,041	4.8	2	0.4	164	0.5	8	1.9	3,500	1.6
Arapahoe Co. o/s Aurora	166	8.6	3,751	8.8	39	8.6	2,931	9.2	11	5.7	3,600	1.6
Jefferson County	111	5.7	2,321	5.5	7	1.5	457	1.4	7	1.7	2,277	1.0
Boulder County	44	2.3	940	2.2	6	1.3	338	1.1	5	1.2	1,754	0.8
DENVER SMSA	1,593	82.4	34,728	81.9	362	80.1	25,089	78.7	317	76.8	146,383	66.9
City of Greeley	12	0.6	253	0.6	2	0.4	177	0.6	10	2.4	6,152	2.8
Greeley Area o/s City	7	0.4	145	0.3	5	1.1	270	0.8	5	1.2	2,017	0.9
GREELEY AREA *	19	1.0	398	0.9	7	1.5	447	1.4	15	3.6	8,169	3.7
Other Weld County	2	0.1	58	0.1	2	0.4	136	0.4	4	1.0	1,993	0.9
WELD COUNTY	21	1.1	456	1.1	9	2.0	583	1.8	19	4.6	10,162	4.6
Other Colorado	156	8.1	3,546	8.4	30	6.6	2,217	7.0	30	7.3	24,908	11.4
Outside Colorado	164	8.5	3,682	8.7	51	11.3	3,991	12.5	47	11.4	37,431	17.1
TOTAL	1,934	100.0%	$ 42,412	100.0%	452	100.0%	$31,879	100.0%	413	100.0%	$218,884	100.0%

Note: Detail may not always add to total due to rounding.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ By stipulation of parties these figures are representative of the data as of 7-8-70.

Exhibit 58 C-2413

COMMERCIAL AND INDUSTRIAL LOANS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970. 1/
(Dollar amounts in thousands)

	All Class Sizes				$1 - $2,500				$2,501 - $10,000			
	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
Metropolitan Denver:	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
City and County of Denver	498	73.9%	$101,793	75.8%	21	70.0%	$ 35	67.3%	95	77.9%	$ 698	79.3%
Denver Suburban:	83	12.3	6,742	5.0	7	23.3	14	26.9	15	12.3	106	12.0
City of Aurora	2	0.3	77	0.1	1	3.3	2	3.8	-	-	-	-
Adams County o/s Aurora	10	1.5	1,781	1.3	-	-	-	-	1	0.8	5	0.6
Arapahoe Co. o/s Aurora	38	5.6	3,363	2.5	1	3.3	2	3.8	8	6.6	68	7.7
Jefferson County	19	2.8	558	0.4	2	6.7	4	7.7	5	4.1	30	3.4
Boulder County	14	2.1	963	0.7	3	10.0	6	11.5	1	0.8	3	0.3
DENVER SMSA	581	86.2	108,535	80.8	28	93.3	49	94.2	110	90.1	804	91.4
City of Greeley	2	0.3	2,712	2.0	-	-	-	-	-	-	-	-
Greeley Area o/s City	-	-	-	-	-	-	-	-	-	-	-	-
GREELEY AREA*	2	0.3	2,712	2.0	-	-	-	-	-	-	-	-
Other Weld County	2	0.3	1,325	1.0	-	-	-	-	-	-	-	-
WELD COUNTY	4	0.6	4,037	3.0	-	-	-	-	-	-	-	-
Other Colorado	31	4.6	4,706	3.5	1	3.3	2	3.8	5	4.1	44	5.0
Outside Colorado	58	8.6	17,055	12.7	1	3.3	1	1.9	7	5.7	33	3.7
TOTAL	674	100.0%	$134,332	100.0%	30	100.0%	$ 52	100.0%	122	100.0%	$ 880	100.0%

Note: Detail may not always add to total due to rounding.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ By stipulation of parties these figures are representative of the data as of 7-8-70.

FIRST NATIONAL BANK OF DENVER
COMMERCIAL AND INDUSTRIAL LOANS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970. 1/
(Dollar amounts in thousands)

	$10,001 - $50,000				$50,001 - $100,000				$100,001 and Over			
	Number		Dollar Amount		Number		Dollar Amount		Number		Dollar Amount	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
Metropolitan Denver:												
City and County of Denver	150	73.9%	$ 3,647	72.4%	67	58.3%	$4,720	54.4%	145	80.9%	$ 92,693	77.4%
Denver Suburbs:	27	13.3	761	15.1	21	18.3	1,668	19.3	17	6.4	4,194	3.5
City of Aurora	-	-	-	-	1	0.9	75	0.9	-	-	-	-
Adams County o/s Aurora	4	2.0	137	2.7	1	0.9	100	1.2	4	2.0	1,339	1.1
Arapahoe Co. o/s Aurora	10	4.9	285	5.7	14	12.2	1,165	13.5	3	2.5	1,864	1.5
Jefferson County	9	4.4	333	6.7	2	1.7	113	1.3	1	0.5	176	1.5
Boulder County	4	2.0	106	2.1	3	2.6	215	2.5	3	1.5	635	5.3
DENVER SMSA	177	87.2	4,468	87.6	88	76.5	6,388	73.9	178	87.2	98,887	82.9
City of Greeley	-	-	-	-	-	-	-	-	2	1.0	2,712	2.3
Greeley Area o/s City	-	-	-	-	-	-	-	-	-	-	-	-
GREELEY AREA*	-	-	-	-	-	-	-	-	2	1.0	2,712	2.3
Other Weld County	-	-	-	-	-	-	-	-	2	1.0	1,325	1.1
WELD COUNTY	-	-	-	-	-	-	-	-	4	2.0	4,037	3.4
Other Colorado	13	6.4	243	4.8	7	6.1	486	5.6	3	2.5	3,889	3.3
Outside Colorado	13	6.4	341	7.6	20	17.4	1,770	20.5	17	8.3	14,871	12.4
TOTAL	203	100.0%	$ 5,053	100.0%	113	100.0%	$8,644	100.0%	204	100.0%	$119,734	100.0%

Note: Detail may not always add to total due to rounding.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gilli, Eaton, Lucerne, Parmers and Brucewell.

1/ By stipulation of parties these figures are representative of the data as of 7-8-70.

FIRST NATIONAL BANK OF DENVER

[illegible] 1/

(Dollar amounts in thousands)

	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
	All Class Sizes				$1 - $2,500				$2,501 - $10,000			
Metropolitan Denver:												
City and County of Denver	4,860	48.5%	$ 9,452	48.0%	3,727	49.3%	$3,751	46.4%	1,090	45.7%	$3,976	46.2%
Denver Suburban:	3,944	39.3	7,157	36.3	2,920	38.8	3,266	40.6	1,002	42.0	3,585	41.7
City of Aurora	829	8.3	1,353	7.9	598	7.9	695	8.6	330	9.6	813	9.4
Adams County o/s Aurora	1,394	13.9	2,485	12.6	1,029	13.6	1,132	14.1	362	15.2	1,259	14.6
Arapahoe Co. o/s Aurora	260	2.6	488	2.5	205	2.7	207	2.6	52	2.2	197	2.3
Jefferson County	1,286	12.6	2,289	11.6	950	12.6	1,067	13.3	311	13.0	1,139	13.2
Boulder County	195	1.9	342	1.7	148	2.0	165	2.1	47	2.0	177	2.1
DENVER SMSA	8,804	87.8	16,609	84.3	6,655	88.1	6,997	87.0	2,092	87.7	7,561	87.9
City of Greeley	25	0.2	47	0.2	18	0.2	21	0.3	7	0.3	26	0.3
Greeley Area o/s City	3	x	4	x	3	x	4	x	-	-	-	-
GREELEY AREA*	28	0.3	51	0.3	21	0.3	25	0.3	7	0.3	26	0.3
Other Weld County	33	0.3	60	0.3	23	0.3	23	0.3	10	0.4	37	0.4
WELD COUNTY	61	0.6	111	0.6	44	0.6	48	0.6	17	0.7	63	0.7
Other Colorado	448	4.5	1,062	5.4	297	3.9	370	4.6	145	6.1	512	6.0
Outside Colorado	713	7.1	1,913	9.7	558	7.4	624	7.8	131	5.5	467	5.4
TOTAL	10,026	100.0%	$19,699	100.0%	7,354	100.0%	$8,040	100.0%	2,385	100.0%	$8,604	100.0%

Note: Detail may not always add to total due to rounding.
x Less than 0.05 percent.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Pe[illegible] Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ By stipulation of parties these figures are representative of the data as of 7-8-70.

FIRST NATIONAL BANK OF DENVER
LOANS TO INDIVIDUALS ON INSTALLMENT BASIS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970. 1/
(Dollar amounts in thousands)

	$10,001 - $50,000				$50,001 - $100,000				$100,001 and Over			
	Number	%	Amount	%	Number	%	Amount	%	Number	%	Amount	%
Metropolitan Denver:												
City and County of Denver	32	43.7%	$ 622	41.0%	8	57.1%	$ 650	59.4%	3	100.0%	$ 513	100.0%
Denver Suburbs:	14	20.0	306	20.2	"	"	"	"	"	"	"	"
City of Aurora	1	1.4	43	3.0	"	"	"	"	"	"	"	"
Adams County o/o Aurora	3	4.3	94	6.2	"	"	"	"	"	"	"	"
Arapahoe Co. o/o Aurora	3	7.1	84	5.5	"	"	"	--	"	"	"	"
Jefferson County	3	7.1	83	5.5	"	"	"	"	"	"	"	"
Boulder County	"	"	"	"	"	"	"	"	"	"	"	"
DENVER SMSA	46	65.7	928	61.2	8	57.1	650	59.4	3	100.0	513	100.0
City of Greeley	"	"	"	"	"	"	"	"	"	"	"	"
Greeley Area o/o City	"	"	"	"	"	"	"	"	"	--	"	"
GREELEY AREA*	--	"	"	"	"	"	"	"	"	"	"	"
Other Weld County	"	"	"	"	"	"	"	"	"	"	"	"
WELD COUNTY	"	"	"	"	"	"	"	"	"	"	"	"
Other Colorado	5	7.1	90	6.5	1	7.1	81	7.9	"	"	"	"
Outside Colorado	19	27.1	489	32.3	5	35.7	336	32.8	"	"	"	"
TOTAL	70	100.0%	$ 1,516	100.0%	14	100.0%	$1,024	100.0%	3	100.0%	$ 513	100.0%

Note: Detail may not always add to total due to rounding.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Pierce, Kersey, Gill, Eaton, Lucerne, Parmers and Brunswell.

1/ By stipulation of parties these figures are representative of the data as of 7-8-70.

FIRST NATIONAL BANK OF DENVER
SINGLE PAYMENT LOANS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970. 1/
(Dollar amounts in thousands)

	All Class Sizes				$1 - $2,500				$2,501 - $10,000			
	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT*	
Metropolitan Denver:	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
City and County of Denver	736	73.2%	$4,835	86.7%	597	77.4%	$583	79.0%	129	75.4%	$ 369	73.0%
Denver Suburban:	133	13.4	494	8.8	144	18.7	122	16.6	24	14.0	113	14.9
City of Aurora	14	1.4	14	0.2	14	2.1	14	1.9	-	-	-	-
Adams County o/s Aurora	34	3.4	113	2.0	29	3.8	23	3.1	5	2.9	18	3.3
Arapahoe Co. o/s Aurora	42	4.2	193	3.4	32	4.2	28	3.8	6	3.5	37	4.7
Jefferson County	74	7.4	166	3.0	61	7.9	52	7.1	12	7.0	57	7.3
Boulder County	7	0.7	8	0.1	6	0.8	5	0.7	1	0.6	3	0.4
DENVER SMSA	949	94.6	5,349	95.3	741	96.1	704	95.5	153	89.5	684	87.9
City of Greeley	-	-	-	-	-	-	-	-	-	-	-	-
Greeley Area o/s City	-	-	-	-	-	-	-	-	-	-	-	-
GREELEY AREA*	-	-	-	-	-	-	-	-	-	-	-	-
Other Weld County	-	-	-	-	-	-	-	-	-	-	-	-
WELD COUNTY	-	-	-	-	-	-	-	-	-	-	-	-
Other Colorado	25	2.5	72	1.3	13	1.7	14	1.9	11	6.4	40	5.1
Outside Colorado	29	2.9	181	3.2	17	2.2	19	2.6	7	4.1	55	7.1
TOTAL	1,003	100.0%	$5,602	100.0%	771	100.0%	$737	100.0%	171	100.0%	$ 779	100.0%

Note: Detail may not always add to total due to rounding.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Pe[illegible], Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ By stipulation of parties these figures are representative of the data as of 7-8-70.

FIRST NATIONAL BANK OF DENVER
SINGLE PAYMENT LOANS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970. 1/
(Dollar amounts in thousands)

	$10,001 - $50,000				$50,001 - $100,000				$100,001 and Over			
	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
Metropolitan Denver:												
City and County of Denver	32	74.4%	$ 634	70.8%	8	80.0%	$573	82.5%	8	100.0%	$2,495	100.0%
Denver Suburban:	5	11.6	135	15.1	2	20.0	122	17.5	-	-	-	-
City of Aurora	-	-	-	-	-	-	-	-	-	-	-	-
Adams County o/s Aurora	2	4.7	72	8.0	-	-	-	-	-	-	-	-
Arapahoe Co. o/s Aurora	3	7.0	63	7.0	1	10.0	65	9.3	-	-	-	-
Jefferson County	-	-	-	-	1	10.0	57	8.2	-	-	-	-
Boulder County	-	-	-	-	-	-	-	-	-	-	-	-
DENVER SMSA	37	86.0	769	85.9	10	100.0	697	100.0	8	100.0	2,495	100.0
City of Greeley	-	-	-	-	-	-	-	-	-	-	-	-
Greeley Area o/s City	-	-	-	-	-	-	-	-	-	-	-	-
GREELEY AREA*	-	-	-	-	-	-	-	-	-	-	-	-
Other Weld County	-	-	-	-	-	-	-	-	-	-	-	-
WELD COUNTY	-	-	-	-	-	-	-	-	-	-	-	-
Other Colorado	1	2.3	18	2.0	-	-	-	-	-	-	-	-
Outside Colorado	5	11.6	107	12.0	-	-	-	-	-	-	-	-
TOTAL	43	100.0%	$ 895	100.0%	10	100.0%	$697	100.0%	8	100.0%	$2,495	100.0%

Note: Detail may not always add to total due to rounding.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Pecatonica, Kersey, Gill, Eaton, Lucerne, Farmers and Brucewell.

1/ By stipulation of parties these figures are representative of the data as of 7-8-70.

Plaintiff's Exhibit 61
A-2415

FIRST NATIONAL BANK OF DENVER
REAL ESTATE LOANS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970. 1/
(Dollar amounts in thousands)

	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
	All Class Sizes				$1 - $2,500				$2,501 - $10,000			
Metropolitan Denver:												
City and County of Denver	609	58.1%	$20,418	60.3%	2	66.6%	$ 3	60.0%	38	50.0%	$ 240	52.2%
Denver Suburban:	310	29.6	7,602	22.5	-	-	-	-	24	40.0	166	36.1
City of Aurora	1	0.1	49	0.1	-	-	-	-	-	-	-	-
Adams County o/s Aurora	97	9.3	1,607	4.7	-	-	-	-	1	1.7	10	2.2
Arapahoe Co. o/s Aurora	92	8.8	2,234	6.6	-	-	-	-	10	16.7	80	17.4
Jefferson County	83	7.9	1,911	5.6	-	-	-	-	12	20.0	73	15.9
Boulder County	37	3.5	1,801	5.3	-	-	-	-	1	1.7	3	.7
DENVER SMSA	919	87.7	28,020	82.8	2	66.6	3	60.0	54	90.0	406	88.3
City of Greeley	11	1.0	553	1.6	-	-	-	-	1	1.7	8	1.7
Greeley Area o/s City	1	0.1	10	x	-	-	-	-	1	1.7	9	2.0
GREELEY AREA*	12	1.1	563	1.7	-	-	-	-	2	3.3	17	3.7
Other Weld County	1	0.1	54	0.2	-	-	-	-	-	-	-	-
WELD COUNTY	13	1.2	617	1.8	-	-	-	-	2	3.3	17	3.7
Other Colorado	103	9.8	4,474	13.2	1	33.3	2	40.0	2	3.3	18	3.9
Outside Colorado	13	1.2	736	2.2	-	-	-	-	2	3.3	19	4.1
TOTAL	1,048	100.0%	$33,849	100.0%	3	100.0%	$ 5	100.0%	60	100.0%	$ 460	100.0%

Note: Detail may not always add to total due to rounding.
x Less than 0.05 percent.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 8.

1/ By stipulation of parties these figures are representative of the data as of 7-8-70.

FIRST NATIONAL BANK OF DENVER
REAL ESTATE LOANS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970. 1/
(Dollar amounts in thousands)

	$10,001 - $50,000				$50,001 - $100,000				$100,001 and Over			
	Number		Dollar Amount		Number		Dollar Amount		Number		Dollar Amount	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
Metropolitan Denver:												
City and County of Denver	448	54.4%	$ 8,691	53.7%	113	83.7%	$ 7,294	80.0%	16	59.3%	$4,190	51.9%
Denver Suburban:	276	33.5	5,519	34.1	6	4.4	435	4.8	4	14.8	1,483	18.4
City of Aurora	1	0.1	49	0.3	-	-	-	-	-	-	-	-
Adams County o/s Aurora	96	11.7	1,597	9.9	-	-	-	-	-	-	-	-
Arapahoe Co. o/s Aurora	78	9.5	1,871	11.6	4	3.0	284	3.1	-	-	-	-
Jefferson County	68	8.3	1,376	8.5	1	0.7	98	1.1	2	7.4	364	4.5
Boulder County	33	4.0	626	3.9	1	0.7	53	0.6	2	7.4	1,119	13.9
DENVER SMSA	724	87.9	14,210	87.8	119	88.1	7,729	84.7	20	74.1	5,673	70.2
City of Greeley	8	1.0	160	1.0	-	-	-	-	2	7.4	386	4.8
Greeley Area o/s City	-	-	-	-	-	-	-	-	-	-	-	-
GREELEY AREA*	8	1.0	160	1.0	-	-	-	-	2	7.4	386	4.8
Other Weld County	-	-	-	-	1	0.7	54	0.6	-	-	-	-
WELD COUNTY	8	1.0	160	1.0	1	0.7	54	0.6	2	7.4	386	4.8
Other Colorado	87	10.6	1,696	10.5	8	5.9	741	8.1	5	18.5	2,019	25.0
Outside Colorado	4	0.5	121	0.7	7	5.2	596	6.5	-	-	-	-
TOTAL	823	100.0%	$16,187	100.0%	135	100.0%	$ 9,120	100.0%	27	100.0%	$ 8,078	100.0%

Note: Detail may not always add to total due to rounding.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Parmers and Bracewell.

1/ By stipulation of parties these figures are representative of the data as of 7-8-70.

Plaintiff's Exhibit 225
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C-2413

FIRST NATIONAL BANK OF DENVER
LOANS TO FARMERS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970. 1/
(Dollar amounts in thousands)

	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
	All Class Sizes				$1 - $2,500				$2,501 - $10,000			
Metropolitan Denver:												
City and County of Denver	13	16.7%	$ 2,324	8.9%	-	-	-	-	1	14.3%	$ 4	8.3%
Denver Suburban:	9	11.5	765	2.9	-	-	-	-	2	28.6	12	25.0
City of Aurora	-	-	-	-	-	-	-	-	-	-	-	-
Adams County o/s Aurora	4	5.1	580	2.2	-	-	-	-	1	14.3	6	12.5
Arapahoe Co. o/s Aurora	1	1.3	60	0.2	-	-	-	-	-	-	-	-
Jefferson County	-	-	-	-	-	-	-	-	-	-	-	-
Boulder County	4	5.1	125	0.5	-	-	-	-	1	14.3	6	12.5
DENVER SMSA	22	28.2	3,089	11.8	-	-	-	-	3	42.9	16	33.3
City of Greeley	11	14.1	3,305	12.7	-	-	-	-	-	-	-	-
Greeley Area o/s City	1	1.3	883	3.4	-	-	-	-	-	-	-	-
GREELEY AREA*	12	15.4	4,188	16.0	-	-	-	-	-	-	-	-
Other Weld County	3	3.8	436	1.7	-	-	-	-	-	-	-	-
WELD COUNTY	15	19.2	4,624	17.7	-	-	-	-	-	-	-	-
Other Colorado	35	44.9	14,013	53.7	-	-	-	-	4	57.1	32	66.7
Outside Colorado	6	7.7	4,390	16.8	-	-	-	-	-	-	-	-
TOTAL	78	100.0%	$26,116	100.0%	-	-	-	-	7	100.0%	$ 48	100.0%

Note: Detail may not always add to total due to rounding.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ By stipulation of parties these figures are representative of the data as of 7-8-70.

FIRST NATIONAL BANK OF DENVER
LOANS TO FARMERS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970. 1/
(Dollar amounts in thousands)

	$10,001 - $50,000				$50,001 - $100,000				$100,001 and Over			
	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
Metropolitan Denver:												
City and County of Denver	2	9.1%	$ 64	8.9%	-	-	-	-	10	28.6%	$ 2,256	9.2%
Denver Suburban:	2	9.1	92	12.7	4	28.6%	$ 194	21.4%	1	2.9	468	1.9
City of Aurora	-	-	-	-	-	-	-	-	-	-	-	-
Adams County o/s Aurora	1	4.5	42	5.8	1	7.1	64	7.1	1	2.9	468	1.9
Arapahoe Co. o/s Aurora	-	-	-	-	1	7.1	60	6.6	-	-	-	-
Jefferson County	-	-	-	-	-	-	-	-	-	-	-	-
Boulder County	1	4.5	50	6.9	2	14.3	70	7.7	-	-	-	-
DENVER SMSA	4	18.2	156	21.6	4	28.6	194	21.4	11	31.4	2,724	11.1
City of Greeley	3	13.6	73	10.1	2	14.3	177	19.5	6	17.1	3,055	12.5
Greeley Area o/s City	-	-	-	-	-	-	-	-	1	2.9	883	3.6
GREELEY AREA*	3	13.6	73	10.1	2	14.3	177	19.5	7	20.0	3,938	16.1
Other Weld County	1	4.5	31	4.3	1	7.1	52	5.7	1	2.9	353	1.4
WELD COUNTY	4	18.2	104	14.4	3	21.4	229	25.2	8	22.9	4,291	17.6
Other Colorado	12	54.5	401	55.5	6	42.9	433	47.7	13	37.1	13,147	53.8
Outside Colorado	2	9.1	62	8.6	1	7.1	52	5.7	3	8.6	4,276	17.5
TOTAL	22	100.0%	$ 723	100.0%	14	100.0	$ 907	100.0%	35	100.0%	$24,438	100.0%

Note: Detail may not always add to total due to rounding.

Source: Defendant's Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

1/ By stipulation of parties these figures are representative of the data as of 7-8-70.

THE FIRST NATIONAL BANK OF GREELEY
INCOME BY ACCOUNTS - 1967-1969

Account Title	Year Ended December 31, 1967 Amount	1967 %	1968 Amount	1968 %	1969 Amount	1969 %
Interest on Commercial Loans 1/	$1,356,003	60.7	$1,487,010	57.7	$1,765,306	59.1
Interest on Installment Loans	235,754	10.6	276,651	10.7	335,652	11.2
Income on Federal Funds Sold	31,604	1.4	16,657	0.6	9,665	0.3
Service Charges on Bank Loans	2,803	0.1	2,600	0.1	9,254	0.3
Other Service Charges, Exchange	8,162	0.4	10,893	0.4	6,139	0.2
Interest on U.S. Govt. Obligations	161,178	7.2	220,185	8.5	197,011	6.6
Interest on Other Securities	176,120	7.9	235,872	9.1	327,134	10.9
Other Interest	5,914	0.3	6,567	0.3	7,137	0.2
Service Charges on Deposit Accounts	111,557	5.0	125,468	4.9	133,421	4.5
Colorado Bankamericard	-	-	6,028	0.2	8,552	0.3
Trust Department	64,572	2.9	61,271	2.4	70,075	2.3
Rent of Premises (gross)	39,776	1.8	39,547	1.5	41,217	1.4
Safe Deposit	7,813	0.3	7,900	0.3	10,379	0.3
American National Insurance Co. Comm.	21,788	1.0	13,250	0.5	16,640	0.6
Prudential Insurance Co. Dividend	6,480	0.3	16,323	0.6	14,401	0.5
*Slaughter Fees, Abattoir	-	-	45,506	1.8	26,978	0.9
Other Income	3,586	0.2	7,549	0.3	9,662	0.3
	$2,233,110	100.0	$2,579,277	100.0	$2,988,623	100.0

* Through foreclosure the Bank acquired a packing plant in northern Colorado some years ago. This facility is now leased to an independent operator and the Bank receives $1.50 for each head killed.

1/ This figure includes Interest on Real Estate Loans as defendants were unable to separate the two figures.

SOURCE: Defendants' Answer to Interrogatory 10(B).

Plaintiff's Exhibit 63

FIRST NATIONAL BANK OF GREELEY

DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS, BY CLASS SIZE, BY LOCATION OF DEPOSITOR, AUGUST 31, 1970. 1/

Plaintiff's Exhibit 64 C-2413

(Dollar amounts in thousands)

	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
	All Class Sizes				$1 - $1,000				$1,001 - $10,000			
City of Greeley	5,111	73.6%	$ 9,409	72.6%	3,839	74.4%	$1,159	75.3%	1,132	71.3%	$2,516	67.7
Greeley Area outside City	639	9.2	1,294	9.2	462	8.9	141	9.2	156	9.8	445	10.3
GREELEY AREA*	5,750	82.8	10,703	81.9	4,301	81.3	1,300	84.4	1,283	81.1	3,461	77
Other Weld County	487	7.0	868	6.6	338	6.5	119	7.7	138	8.7	487	11.1
WELD COUNTY	6,237	89.8	11,571	88.5	4,639	89.9	1,419	92.1	1,426	89.8	3,888	89.0
City and County of Denver	88	1.3	251	1.9	58	1.1	19	1.2	25	1.6	73	1.7
Denver Suburban Area **	108	1.6	367	2.8	79	1.5	23	1.5	24	1.5	79	1.8
DENVER SMSA ***	196	2.8	618	4.7	137	2.7	42	2.7	49	3.1	152	3.5
Other Colorado	220	3.3	287	2.2	157	3.0	35	2.3	61	3.8	187	4.3
Outside Colorado	294	4.2	622	4.8	230	4.5	43	2.8	52	3.3	140	3.2
TOTAL	6,947	100.0%	$13,076	100.0%	5,163	100.0%	$1,540	100.0%	1,588	100.0%	$4,368	100.0
	$10,001 - $50,000				$50,001 - $100,000				$100,001 and Over			
City of Greeley	116	71.2%	$ 2,110	67.6%	16	72.7%	$1,218	75.7%	8	72.7%	$2,056	84.0
Greeley Area outside City	17	10.4	319	10.2	3	13.6	177	11.0	1	9.1	122	5.0
GREELEY AREA*	133	81.6	2,429	77.8	19	86.4	1,395	86.6	9	81.8	2,178	89.3
Other Weld County	11	6.7	262	8.4	-	-	-	-	-	-	-	-
WELD COUNTY	144	88.3	2,691	86.2	19	86.4	1,395	86.6	9	81.8	2,178	89.3
City and County of Denver	4	2.5	97	3.1	1	4.5	60	3.7	-	-	-	-
Denver Suburban Area **	3	1.8	82	2.6	1	4.5	82	5.1	1	9.1	101	4.1
DENVER SMSA ***	7	4.3	179	5.7	2	9.1	142	8.8	1	9.1	101	4.1
Other Colorado	2	1.2	43	1.4	-	-	-	-	-	-	-	-
Outside Colorado	10	6.1	208	6.7	1	4.5	72	4.5	1	9.1	159	6.5
TOTAL	163	100.0%	$ 3,121	100.0%	22	100.0%	$1,610	100.0%	11	100.0%	$2,438	100.0

Note: Detail may not always add to total due to rounding.

1/ By stipulation of parties these figures are representative of the data as of 7-8-70.

Source: Defendants' Answer to Plaintiff's Interrogatory No. 7.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

** Includes Adams, Arapahoe, Jefferson and Boulder Counties.

*** Includes City and County of Denver, and Adams, Arapahoe, Jefferson and Boulder Counties.

FIRST NATIONAL BANK OF GREELEY
SAVINGS DEPOSITS, BY CLASS SIZE, BY LOCATION OF DEPOSITOR, AUGUST 31, 1970. 1/

Plaintiff's Exhibit 65 C-3413

(Dollar amounts in thousands)

	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
	All Class Sizes				$1 - $1,000				$1,001 - $10,000			
City of Greeley	4,673	70.6%	$ 8,025	70.2%	3,335	71.6%	$637	70.6%	1,139	68.0%	$3,758	68.1%
Greeley Area outside City	651	9.8	847	7.4	453	9.7	70	7.8	182	10.9	556	10.1
GREELEY AREA*	5,324	80.4	8,872	77.7	3,788	81.3	707	78.4	1,321	78.8	4,314	78.2
Other Weld County	660	10.0	1,391	12.2	428	9.2	117	13.0	197	11.8	675	12.2
WELD COUNTY	5,984	90.4	10,263	89.8	4,216	90.5	824	91.4	1,518	90.6	4,989	90.4
City and County of Denver	60	0.9	119	1.0	40	0.9	10	1.1	17	1.0	60	1.1
Denver Suburban Area **	116	1.8	202	1.8	86	1.8	15	1.7	24	1.4	83	1.5
DENVER SMSA ***	176	2.7	321	2.8	126	2.7	25	2.8	41	2.4	143	2.6
Other Colorado	214	3.2	399	3.5	138	3.0	21	2.3	62	3.7	190	3.4
Outside Colorado	248	3.7	442	3.9	180	3.9	32	3.5	55	3.3	198	3.6
TOTAL	6,622	100.0%	$11,425	100.0%	4,660	100.0%	$902	100.0%	1,676	100.0%	$5,520	100.0%
	$10,001 - $50,000				$50,001 - $100,000				$100,001 and Over			
City of Greeley	195	69.4%	$ 3,270	71.6%	3	75.0%	$214	75.4%	1	100.0%	$ 138	100.0%
Greeley Area outside City	16	5.7	221	4.8	-	-	-	-	-	-	-	-
GREELEY AREA*	211	75.1	3,500	76.4	3	75.0	214	75.4	1	100.0	138	100.0
Other Weld County	34	12.1	529	11.5	1	25.0	70	24.6	-	-	-	-
WELD COUNTY	245	87.2	4,029	88.0	4	100.0	284	100.0	1	100.0	138	100.0
City and County of Denver	3	1.2	49	1.1	-	-	-	-	-	-	-	-
Denver Suburban Area **	6	2.1	102	2.2	-	-	-	-	-	-	-	-
DENVER SMSA ***	9	3.2	151	3.3	-	-	-	-	-	-	-	-
Other Colorado	14	5.0	188	4.1	-	-	-	-	-	-	-	-
Outside Colorado	13	4.6	212	4.6	-	-	-	-	-	-	-	-
TOTAL	281	100.0%	$ 4,581	100.0%	4	100.0%	$284	100.0%	1	100.0%	$ 138	100.0%

Note: Detail may not always add to total due to rounding.
1/ By stipulation of parties these figures are representative of the data as of 7-8-70.
Source: Defendants' Answer to Plaintiff's Interrogatory No. 7.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Pecheo, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.
** Includes Adams, Arapahoe, Jefferson and Boulder Counties.
*** Includes City and County of Denver, and Adams, Arapahoe, Jefferson and Boulder Counties.

FIRS. NATIONAL BANK OF GREELEY

TIME DEPOSITS OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS, BY CLASS SIZE, BY LOCATION OF DEPOSITOR, AUGUST 31, 1970. 1/

Plaintiff's Exhibit 66 C-2413

(Dollar amounts in thousands)

	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
	All Class Sizes				$1 - $1,000				$1,001 - $10,000			
City of Greeley	1,121	64.8%	$ 7,749	67.7%	259	62.6%	$241	61.8%	741	65.1%	$3,633	65.5%
Greeley Area outside City	139	8.0	951	8.3	33	8.0	33	8.5	94	8.3	503	9.1
GREELEY AREA*	1,260	72.8	8,700	76.0	292	70.5	274	70.3	835	73.3	4,136	74.6
Other Weld County	251	14.4	1,583	13.8	46	11.1	43	11.0	178	15.6	801	14.4
WELD COUNTY	1,511	87.3	10,283	89.8	338	81.6	317	81.3	1,013	88.9	4,937	89.0
City and County of Denver	10	0.6	96	0.8	-	-	-	-	-	-	-	-
Denver Suburban Area **	19	1.1	62	0.5	8	1.9	8	2.1	8	0.7	48	0.9
DENVER SMSA ***	29	1.7	158	1.4	8	1.9	8	2.1	11	1.0	54	1.0
Other Colorado	97	5.6	426	3.7	29	7.0	29	7.4	62	5.4	303	5.5
Outside Colorado	96	5.4	579	5.1	39	9.4	36	9.2	45	4.0	205	3.7
TOTAL	1,731	100.0%	$11,445	100.0%	414	100.0%	$390	100.0%	1,139	100.0%	$5,546	100.0%
	$10,001 - $50,000				$50,001 - $100,000				$100,001 and Over			
City of Greeley	109	68.1%	$ 1,921	68.5%	4	66.7%	$339	67.9%	8	66.7%	$1,616	73.3
Greeley Area outside City	11	6.9	279	9.9	-	-	-	-	1	8.3	135	6.1
GREELEY AREA*	120	75.0	2,200	78.4	4	66.7	339	67.9	9	75.0	1,751	79.4
Other Weld County	24	15.0	330	11.8	1	16.7	60	12.0	2	16.7	350	15.9
WELD COUNTY	144	90.0	2,530	90.2	5	83.3	399	80.0	11	91.7	2,101	95.3
City and County of Denver	2	1.3	48	1.7	-	-	-	-	-	-	-	-
Denver Suburban Area **	-	-	-	-	-	-	-	-	-	-	-	-
DENVER SMSA ***	2	1.3	48	1.7	-	-	-	-	-	-	-	-
Other Colorado	6	3.8	93	3.3	-	-	-	-	-	-	-	-
Outside Colorado	8	5.0	135	4.8	1	16.7	100	20.0	1	8.3	104	4.7
TOTAL	160	100.0%	$ 2,805	100.0%	6	100.0%	$499	100.0%	12	100.0%	$2,204	100.0%

Note: Detail may not always add to total due to rounding.

1/ By stipulation of parties these figures are representative of the data as of 7-8-70.

Source: Defendants' Answer to Plaintiff's Interrogatory No. 7.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Pecker, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

** Includes Adams, Arapahoe, Jefferson and Boulder Counties.

*** Includes City and County of Denver, and Adams, Arapahoe, Jefferson and Boulder Counties.

Plaintiff's Exhibit 67
C-2413

FIRST NATIONAL BANK OF GREELEY
TOTAL LOANS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970. 1/
(Dollar amounts in thousands)

	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
	All Class Sizes				$1 - $2,500				$2,501 - $10,000			
City of Greeley	1,863	61.7%	$16,475	56.8%	1,283	65.3%	$1,160	64.1%	350	55.2%	$ 1,640	57.0%
Greeley Area outside City	448	14.8	4,568	15.8	268	13.6	266	14.7	106	16.7	430	15.0
GREELEY AREA*	2,311	76.5	21,043	72.6	1,551	79.0	1,426	78.7	456	71.9	2,070	72.0
Other Weld County	303	10.0	3,130	10.8	155	7.9	157	8.7	90	14.2	425	14.8
WELD COUNTY	2,614	86.6	24,173	83.4	1,706	86.9	1,583	87.4	546	86.1	2,495	86.8
City and County of Denver	48	1.6	611	2.0	27	1.4	21	1.2	9	1.4	36	1.3
Denver Suburban Area **	56	1.9	465	1.6	41	2.1	33	1.8	10	1.6	39	1.4
DENVER SMSA ***	104	3.4	1,076	3.7	68	3.5	54	3.0	19	3.0	75	2.6
Other Colorado	154	5.1	2,268	7.8	87	4.4	80	4.4	38	6.0	176	6.1
Outside Colorado	147	4.9	1,472	5.1	103	5.2	94	5.2	31	4.9	129	4.5
TOTAL	3,019	100.0%	$28,989	100.0%	1,964	100.0%	$1,811	100.0%	634	100.0%	$ 2,875	100.0%
	$10,001 - $50,000				$50,001 - $100,000				$100,001 and Over			
City of Greeley	154	52.9%	$ 3,748	52.3%	39	57.4%	$2,787	56.6%	37	59.7%	$ 7,139	58.5%
Greeley Area outside City	56	19.2	1,437	20.1	8	11.8	657	13.3	10	16.1	1,778	14.6
GREELEY AREA*	210	72.2	5,185	72.4	47	69.1	3,444	69.9	47	75.8	8,917	73.0
Other Weld County	48	16.5	1,166	16.3	6	8.8	477	9.7	4	6.5	905	7.4
WELD COUNTY	258	88.7	6,351	88.6	53	77.9	3,921	79.6	51	82.3	9,822	80.4
City and County of Denver	10	3.4	229	3.2	1	1.5	94	1.9	1	1.6	231	1.9
Denver Suburban Area **	2	0.7	30	0.4	1	1.5	61	1.2	2	3.2	303	2.5
DENVER SMSA ***	12	4.1	259	3.6	2	2.9	155	3.1	3	4.8	534	4.4
Other Colorado	17	5.8	461	6.4	7	10.3	477	9.7	5	8.1	1,075	8.8
Outside Colorado	4	1.4	94	1.3	6	8.8	373	7.6	3	4.8	781	6.4
TOTAL	291	100.0%	$ 7,165	100.0%	68	100.0%	$4,926	100.0%	62	100.0%	$12,213	100.0%

Note: Detail may not always add to total due to rounding.

1/ By stipulation of parties these figures are representative of the data as of 7-8-70.

Source: Defendants' Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

** Includes Adams, Arapahoe, Jefferson and Boulder Counties.

*** Includes City and County of Denver, and Adams, Arapahoe, Jefferson and Boulder Counties.

Plaintiff's Exhibit 63

[illegible] FIRST NATIONAL BANK OF GREELEY
[illegible] BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970. 1/
(Dollar amounts in thousands)

	Number No.	Number %	Dollar Amount Amount	Dollar Amount %	Number No.	Number %	Dollar Amount Amount	Dollar Amount %	Number No.	Number %	Dollar Amount Amount	Dollar Amount %
	All Class Sizes				$1 - $5,000				$1 - $5,000			
City of Greeley	170	70.7%	$5,920	68.5%	37	66.1%	$ 47	70.1%	48	73.8%	$ 290	73.5%
Greeley Area outside City	19	7.9	1,049	12.1	3	5.4	3	4.5	3	4.6	16	4.2
GREELEY AREA*	189	78.1	6,977	80.6	40	71.4	50	74.6	51	78.5	306	75.7
Other Weld County	16	6.6	154	1.8	6	10.7	9	13.4	6	9.2	36	9.4
WELD COUNTY	205	84.7	7,131	82.4	46	82.1	59	88.1	57	87.7	342	89.1
City and County of Denver	14	5.8	524	6.1	2	3.6	1	1.5	3	4.6	12	3.1
Denver Suburban Area **	4	1.7	213	2.5	1	1.8	1	1.5	1	1.5	8	2.1
DENVER MSA ***	18	7.4	737	8.5	3	5.4	2	3.0	4	6.2	20	5.2
Other Colorado	10	4.1	378	4.4	3	5.4	#	x	2	3.1	9	2.3
Outside Colorado	9	3.7	489	4.7	4	7.1	6	9.0	2	3.1	14	3.6
TOTAL	242	100.0%	$8,655	100.0%	56	100.0%	$ 67	100.0%	65	100.0%	$ 384	100.0%
	$10,001 - $50,000				$50,001 - $100,000				$100,001 and Over			
City of Greeley	52	70.3%	$1,485	73.2%	18	75.0%	$1,313	74.6%	13	65.2%	$2,871	67.3%
Greeley Area outside City	8	10.8	173	9.0	1	4.2	80	4.5	4	17.4	776	17.2
GREELEY AREA*	60	81.1	1,578	82.2	19	79.2	1,395	79.1	19	82.6	3,647	80.7
Other Weld County	4	5.4	111	5.8	-	-	-	-	-	-	-	-
WELD COUNTY	64	86.5	1,689	88.0	19	79.2	1,395	79.1	19	82.6	3,647	80.7
City and County of Denver	7	9.5	186	9.7	1	4.2	94	5.3	1	4.3	231	5.1
Denver Suburban Area **	1	1.4	19	1.0	-	-	-	-	1	4.3	185	4.1
DENVER MSA ***	8	10.8	205	10.7	1	4.2	94	5.3	2	8.7	416	9.2
Other Colorado	2	2.7	26	1.4	2	8.3	170	9.6	1	4.3	172	3.8
Outside Colorado	-	-	-	-	2	8.3	104	5.9	1	4.3	286	6.3
TOTAL	74	100.0%	$1,920	100.0%	24	100.0%	$1,763	100.0%	23	100.0%	$4,521	100.0%

Note: Detail may not always add to total due to rounding.
Less than $500.00. x Less than 0.05 percent.

1/ By stipulation of parties these figures are representative of the data as of 7-8-70.
Source: Defendants' Answer to Plaintiff's Interrogatory No. 4

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.
** Includes Adams, Arapahoe, Jefferson and Boulder Counties.
*** Includes City and County of Denver, and Adams, Arapahoe, Jefferson and Boulder Counties.

FIRST NATIONAL BANK OF GREELEY

LOANS TO INDIVIDUALS ON INSTALLMENT BASIS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970. 1/

(Dollar amounts in thousands)

	Number		Dollar Amount		Number		Dollar Amount		Number		Dollar Amount	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
	All Class Sizes				$1 - $5,000				$5,001 - $10,000			
City of Greeley	150	75.8%	$448	63.5%	112	78.9%	$ 94	77.0%	28	68.3%	$143	66.3%
Greeley Area outside City	22	11.1	59	8.4	14	9.9	11	9.0	8	19.5	47	21.9
GREELEY AREA*	172	86.9	507	71.9	126	88.7	105	86.1	36	87.8	190	88.4
Other Weld County	7	3.5	43	6.4	4	2.8	5	4.1	1	2.4	5	2.3
WELD COUNTY	179	90.4	552	78.3	130	91.5	110	90.2	37	90.2	195	90.7
City and County of Denver	3	1.5	13	1.8	2	1.4	2	1.6	-	-	-	-
Denver Suburban Area **	-	-	-	-	-	-	-	-	-	-	-	-
DENVER AREA ***	3	1.5	13	1.8	2	1.4	2	1.6	-	-	-	-
Other Colorado	8	4.0	79	11.2	4	2.8	5	4.1	3	7.3	17	7.9
Outside Colorado	8	4.0	68	8.5	6	4.2	5	4.1	1	2.4	3	1.4
TOTAL	198	100.0%	$705	100.0%	142	100.0%	$122	100.0%	41	100.0%	$215	100.0%
	$10,001 - $50,000				$50,001 - $100,000				$100,001 and Over			
City of Greeley	10	76.9%	$211	81.8%	-	-	-	-	-	-	-	-
Greeley Area outside City	-	-	-	-	-	-	-	-	-	-	-	-
GREELEY AREA*	10	76.9	211	81.8	-	-	-	-	-	-	-	-
Other Weld County	2	15.4	36	14.0	-	-	-	-	-	-	-	-
WELD COUNTY	12	92.3	247	95.7	-	-	-	-	-	-	-	-
City and County of Denver	1	7.7	11	4.3	-	-	-	-	-	-	-	-
Denver Suburban Area **	-	-	-	-	-	-	-	-	-	-	-	-
DENVER AREA ***	1	7.7	11	4.3	-	-	-	-	-	-	-	-
Other Colorado	-	-	-	-	1	50.0%	$ 58	52.7%	-	-	-	-
Outside Colorado	-	-	-	-	1	50.0	51	47.3	-	-	-	-
TOTAL	13	100.0%	$258	100.0%	2	100.0%	$110	100.0%	-	-	-	-

Note: Detail may not always add to total due to rounding.

1/ By stipulation of parties these figures are representative of the data as of 7-8-70.

Source: Defendants' Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Pecklan, Kersey, Gill, Eaton, Lucerne, Farmers and Brocewell.

** Includes Adams, Arapahoe, Jefferson and Boulder Counties.

*** Includes City and County of Denver, and Adams, Arapahoe, Jefferson and Boulder Counties.

Plaintiff's Exhibit 70 A-1413

FIRST NATIONAL BANK OF GREELEY
SINGLE PAYMENT LOANS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970. 1/
(Dollar amounts in thousands)

	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
	All Class Sizes				$1 - $5,000				$5,001 - $10,000			
City of Greeley	1,223	62.5%	$1,796	59.9%	1,015	64.3%	$ 968	65.0%	202	35.0%	$ 736	34.0%
Greeley Area outside City	270	13.8	434	14.5	214	13.6	206	13.8	53	14.4	168	14.0
GREELEY AREA*	1,493	76.3	2,228	74.3	1,229	77.8	1,174	78.8	255	69.5	924	63.0
Other Weld County	172	8.8	306	10.2	122	7.7	114	7.7	49	13.4	179	12.3
WELD COUNTY	1,665	85.0	2,534	84.6	1,351	85.6	1,288	86.4	304	82.8	1,103	81.2
City and County of Denver	29	1.5	51	1.7	23	1.5	19	1.3	5	1.4	21	1.6
Denver Suburban Area **	49	2.5	69	2.3	40	2.5	32	2.1	8	2.2	28	2.1
DENVER SMSA ***	78	4.0	120	4.0	63	4.0	51	3.4	13	3.5	49	3.7
Other Colorado	97	5.0	156	5.2	91	5.8	80	5.4	27	7.4	107	8.0
Outside Colorado	118	6.0	187	6.2	74	4.7	72	4.8	23	6.3	84	6.3
TOTAL	1,958	100.0%	$2,997	100.0%	1,579	100.0%	$1,490	100.0%	367	100.0%	$1,342	100.0%
	$10,001 - $50,000				$50,001 - $100,000				$100,001 and Over			
City of Greeley	6	50.0%	$ 91	54.8%	-	-	-	-	-	-	-	-
Greeley Area outside City	3	25.0	39	23.5	-	-	-	-	-	-	-	-
GREELEY AREA*	9	75.0	130	78.3	-	-	-	-	-	-	-	-
Other Weld County	1	8.3	13	7.8	-	-	-	-	-	-	-	-
WELD COUNTY	10	83.3	143	86.1	-	-	-	-	-	-	-	-
City and County of Denver	1	8.3	12	7.2	-	-	-	-	-	-	-	-
Denver Suburban Area **	1	8.3	11	6.6	-	-	-	-	-	-	-	-
DENVER SMSA ***	2	16.7	23	13.9	-	-	-	-	-	-	-	-
Other Colorado	-	-	-	-	-	-	-	-	-	-	-	-
Outside Colorado	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	12	100.0%	$ 166	100.0%	-	-	-	-	-	-	-	-

Note: Detail may not always add to total due to rounding.
1/ By stipulation of parties these figures are representative of the data as of 7-8-70.
Source: Defendants' Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.
** Includes Adams, Arapahoe, Jefferson and Boulder Counties.
*** Includes City and County of Denver, and Adams, Arapahoe, Jefferson and Boulder Counties.

FIRST NATIONAL BANK OF GREELEY
REAL ESTATE LOANS, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970. 1/
(Dollar amounts in thousands)

	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	$	%	No.	%	$	%	No.	%	$	%
	All Class Sizes				$1 - $9,999				$10,000 - $50,000			
City of Greeley	123	69.1%	$3,272	63.0%	16	61.5%	$ 83	71.9%	44	70.8%	$ 288	71.2%
Greeley Area outside City	24	13.5	657	12.6	7	26.9	6	18.8	9	13.8	52	13.0
GREELEY AREA*	147	82.6	3,929	75.6	23	88.5	29	90.6	53	84.6	336	84.2
Other Weld County	17	9.6	517	9.9	2	7.7	2	6.3	8	12.3	55	13.9
WELD COUNTY	164	92.1	4,446	85.6	25	96.2	31	96.9	63	96.9	391	98.0
City and County of Denver	1	0.6	20	0.4	-	-	-	-	-	-	-	-
Denver Suburban Area **	1	0.6	4	0.1	-	-	-	-	-	-	-	-
DENVER SMSA ***	2	1.1	24	0.5	-	-	-	-	1	1.5	4	1.0
									1	1.5	4	1.0
Other Colorado	6	3.4	307	5.8	-	-	-	-	-	-	-	-
Outside Colorado	6	3.4	328	6.3	1	3.8	1	3.1	1	1.5	5	1.3
TOTAL	178	100.0%	$5,196	100.0%	26	100.0%	$ 32	100.0%	65	100.0%	$ 399	100.0%
	$10,001 - $50,000				$50,001 - $100,000				$100,001 and over			
City of Greeley	44	71.1%	$1,058	68.8%	9	69.2%	$553	63.3%	8	61.5%	$1,354	57.5%
Greeley Area outside City	4	6.4	138	9.0	2	15.4	152	17.4	2	15.4	309	13.1
GREELEY AREA*	48	78.7	1,196	77.8	11	84.6	705	80.8	10	76.9	1,663	70.6
Other Weld County	5	8.2	149	9.7	1	7.7	80	9.2	1	7.7	232	9.9
WELD COUNTY	53	86.9	1,345	87.5	12	92.3	785	89.9	11	84.6	1,895	80.5
City and County of Denver	1	1.6	20	1.3	-	-	-	-	-	-	-	-
Denver Suburban Area **	-	-	-	-	-	-	-	-	-	-	-	-
DENVER SMSA ***	1	1.6	20	1.3	-	-	-	-	-	-	-	-
Other Colorado	5	8.2	133	8.7	-	-	-	-	-	-	-	-
Outside Colorado	2	3.3	39	2.5	1	7.7	88	10.1	1	7.7	264	11.2
TOTAL	61	100.0%	$1,537	100.0%	13	100.0%	$873	100.0%	13	100.0%	$2,355	100.0%

Note: Detail may not always add to total due to rounding.

1/ By stipulation of parties these figures are representative of the date as of 7-8-70.

Source: Defendants' Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Briscoell.

** Includes Adams, Arapahoe, Jefferson and Boulder Counties.

*** Includes City and County of Denver, and Adams, Arapahoe, Jefferson and Boulder Counties.

LOANS TO FARMERS FIRST NATIONAL BANK OF GREELEY
~~COMMERCIAL AND INDUSTRIAL LOANS~~, BY CLASS SIZE, BY LOCATION OF BORROWER, AUGUST 31, 1970. 1/

(Dollar amounts in thousands)

Plaintiff's Exhibit 72
C-2915

	NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT		NUMBER		DOLLAR AMOUNT	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
	All Class Sizes				$1 - $9,500				$9,501 - $30,000			
City of Greeley	83	25.6%	$ 4,228	41.3%	16	22.2%	$ 20	22.0%	14	16.7%	$ 124	26.3%
Greeley Area outside City	113	34.9	2,369	23.2	30	41.7	38	41.8	33	39.3	127	26.9
GREELEY AREA*	196	60.5	6,597	64.5	46	63.9	58	63.7	47	56.0	251	53.2
Other Weld County	91	28.1	2,107	20.6	21	29.2	29	31.9	26	31.0	151	32.0
WELD COUNTY	287	88.6	8,704	85.1	67	93.1	87	95.6	73	86.9	402	85.2
City and County of Denver	1	0.3	3	x	-	-	-	-	1	1.2	3	0.6
Denver Suburban Area **	2	0.6	179	1.8	-	-	-	-	-	-	-	-
DENVER AREA ***	3	0.9	182	1.8	-	-	-	-	1	1.2	3	0.6
Other Colorado	31	9.6	1,258	12.3	4	5.6	3	3.3	10	11.9	67	14.2
Outside Colorado	3	0.9	83	0.8	1	1.4	1	1.1	-	-	-	-
TOTAL	324	100.0%	$10,228	100.0%	72	100.0%	$ 91	100.0%	84	100.0%	$ 472	100.0%
	$30,001 - $60,000				$60,001 - $100,000				$100,001 and Over			
City of Greeley	31	24.1%	$ 720	24.1%	10	38.5%	$ 749	38.7%	12	52.2%	$2,615	55.2%
Greeley Area outside City	41	34.5	1,086	36.3	5	19.2	425	22.0	4	17.4	694	14.6
GREELEY AREA*	72	60.5	1,805	60.4	15	57.7	1,174	60.7	16	69.6	3,309	69.8
Other Weld County	36	30.3	858	28.7	5	19.2	396	20.5	3	13.0	672	14.2
WELD COUNTY	108	90.8	2,664	89.0	20	76.9	1,570	81.2	19	82.6	3,981	84.0
City and County of Denver	-	-	-	-	-	-	-	-	-	-	-	-
Denver Suburban Area **	-	-	-	-	1	3.8	61	3.2	1	4.3	118	2.5
DENVER AREA ***	-	-	-	-	1	3.8	61	3.2	1	4.3	118	2.5
Other Colorado	10	8.4	301	10.1	4	15.4	248	12.8	3	13.0	639	13.5
Outside Colorado	1	0.8	27	0.9	1	3.8	55	2.8	-	-	-	-
TOTAL	119	100.0%	$ 2,992	100.0%	26	100.0%	$1,934	100.0%	23	100.0%	$4,738	100.0%

Note: Detail may not always add to total due to rounding.

1/ By stipulation of parties these figures are representative of the data as of 7-8-70.

x Less than 0.05 percent.

Source: Defendants' Answer to Plaintiff's Interrogatory No. 8.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Pe[illegible], Kersey, Gill, Eaton, Lucerne, Fernure and Bracewell.

** Includes Adams, Arapahoe, Jefferson and Boulder Counties.

*** Includes City and County of Denver, and Adams, Arapahoe, Jefferson and Boulder Counties.

TOTAL ASSETS - COMMERCIAL BANKS IN THE CITY OF GREELEY AND THE GREELEY AREA *

(Dollar amounts in thousands)

	June 1970			June 1969		
	Amount	% of City	% of Area	Amount	% of City	% of Area
FIRST NATIONAL BANK OF GREELEY	$ 47,704	34.7%	32.4%	$ 46,761	34.6%	32.5%
AFFILIATED BANKSHARES OF COLORADO, INC.						
Greeley National Bank	48,193	35.0	32.7	50,363	37.3	35.1
Cache National Bank	7,982	5.8	5.4	7,188	5.3	5.0
West Greeley National Bank	3,626	2.6	2.5	3,505	2.6	2.4
UNITED BANKS OF COLORADO, INC.						
United Bank of Greeley	27,645	20.1	18.8	24,868	18.4	17.3
State Bank of Greeley	2,463	1.8	1.7	2,400	1.8	1.7
CITY OF GREELEY	137,613	100.0%	93.5	135,085	100.0%	94.0
South Platte National Bank, LaSalle	4,164		2.8	3,462		2.4
Eaton Bank	5,442		3.7	5,125		3.6
TOTAL: GREELEY AREA *	$147,219		100.0%	$143,672		100.0%

Note: Detail may not always add to total due to rounding.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

Source: Reports of Condition of individual banks, June issues, 1969 and 1970.

TOTAL DEPOSITS-COMMERCIAL BANKS IN THE CITY OF GREELEY AND THE GREELEY AREA *

(Dollar amounts in thousands)

	June 1970			June 1969		
	Amount	% of City	% of Area	Amount	% of City	% of Area
FIRST NATIONAL BANK OF GREELEY	$ 39,237	33.9%	31.8%	$ 39,079	34.3%	32.1%
AFFILIATED BANKSHARES OF COLORADO, INC.						
Greeley National Bank	39,279	34.0	31.8	41,366	36.3	34.0
Cache National Bank	7,080	6.1	5.7	6,168	5.4	5.1
West Greeley National Bank	3,273	2.8	2.7	3,190	2.8	2.6
UNITED BANKS OF COLORADO, INC.						
United Bank of Greeley	24,743	21.4	20.0	22,224	19.5	18.3
State Bank of Greeley	2,070	1.8	1.7	2,009	1.8	1.7
CITY OF GREELEY	115,682	100.0%	93.7	114,036	100.0%	93.7
South Platte National Bank, LaSalle	2,773		2.2	2,924		2.4
Eaton Bank	4,983		4.0	4,712		3.9
TOTAL: GREELEY AREA *	$123,438		100.0%	$121,672		100.0%

Note: Detail may not always add to total due to rounding.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

Source: Reports of Condition of individual banks, June issues, 1969 and 1970.

DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS - COMMERCIAL BANKS IN THE CITY OF GREELEY AND THE GREELEY AREA *

(Dollar amounts in thousands)

	June 1970			June 1969		
	Amount	% of City	% of Area	Amount	% of City	% of Area
FIRST NATIONAL BANK OF GREELEY	$ 12,041	31.1%	29.0%	$ 11,877	31.1%	29.0%
AFFILIATED BANKSHARES OF COLORADO, INC.						
Greeley National Bank	14,234	36.7	34.3	15,395	40.3	37.6
Cache National Bank	2,706	7.0	6.5	2,340	6.1	5.7
West Greeley National Bank	1,031	2.7	2.5	949	2.5	2.3
UNITED BANKS OF COLORADO, INC.						
United Bank of Greeley	8,272	21.3	19.9	7,316	19.1	17.9
State Bank of Greeley	466	1.2	1.1	332	0.9	0.8
CITY OF GREELEY	38,750	100.0%	93.4	38,209	100.0%	93.3
South Platte National Bank, LaSalle	774		1.9	749		1.8
Eaton Bank	1,963		4.7	1,975		4.8
TOTAL: GREELEY AREA *	$41,487		100.0%	$40,933		100.0%

Note: Detail may not always add to total due to rounding.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

Source: Reports of Condition of individual banks, June issues, 1969 and 1970.

SAVINGS DEPOSITS-COMMERCIAL BANKS IN THE CITY OF GREELEY AND THE GREELEY AREA *

(Dollar amounts in thousands)

	June 1970			June 1969		
	Amount	% of City	% of Area	Amount	% of City	% of Area
FIRST NATIONAL BANK OF GREELEY	$ 11,142	38.4%	36.2%	$ 10,904	37.6%	35.4%
AFFILIATED BANKSHARES OF COLORADO, INC.						
Greeley National Bank	8,130	28.0	26.4	8,690	30.0	28.2
Cache National Bank	1,156	4.0	3.8	1,256	4.3	4.1
West Greeley National Bank	732	2.5	2.4	706	2.4	2.3
UNITED BANKS OF COLORADO, INC.						
United Bank of Greeley	7,224	24.9	23.5	6,733	23.2	21.9
State Bank of Greeley	667	2.3	2.2	709	2.4	2.3
CITY OF GREELEY	29,051	100.0%	94.5	28,998	100.0%	94.2
South Platte National Bank, LaSalle	406		1.3	367		1.2
Eaton Bank	1,292		4.2	1,412		4.6
TOTAL: GREELEY AREA *	$30,749		100.0%	$30,777		100.0%

Note: Detail may not always add to total due to rounding.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

Source: Reports of Condition of individual banks, June issues, 1969 and 1970.

OTHER TIME DEPOSITS OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS -
COMMERCIAL BANKS IN THE CITY OF GREELEY AND THE GREELEY AREA *

(Dollar amounts in thousands)

	June 1970			June 1969		
	Amount	% of City	% of Area	Amount	% of City	% of Area
FIRST NATIONAL BANK OF GREELEY	$10,241	33.8%	32.1%	$ 9,998	34.7%	33.5%
AFFILIATED BANKSHARES OF COLORADO, INC.						
Greeley National Bank	10,985	36.3	34.4	10,276	35.6	34.5
Cache National Bank	1,900	6.3	6.0	1,736	6.0	5.8
West Greeley National Bank	906	3.0	2.8	942	3.3	3.2
UNITED BANKS OF COLORADO, INC.						
United Bank of Greeley	5,936	19.6	18.6	5,466	19.0	18.3
State Bank of Greeley	310	1.0	1.0	412	1.4	1.4
CITY OF GREELEY	30,278	100.0%	94.8	28,830	100.0%	96.7
South Platte National Bank, LaSalle	818		2.6	332		1.1
Eaton Bank	834		2.6	665		2.2
TOTAL: GREELEY AREA *	$31,930		100.0%	$29,827		100.0%

Note: Detail may not always add to total due to rounding.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

Source: Reports of Condition of individual banks, June issues, 1969 and 1970.

TOTAL LOANS - COMMERCIAL BANKS IN THE CITY OF GREELEY AND THE GREELEY AREA *

(Dollar amounts in thousands)

	June 1970			June 1969		
	Amount	% of City	% of Area	Amount	% of City	% of Area
FIRST NATIONAL BANK OF GREELEY	$28,897	34.7%	32.6%	$26,598	33.7%	32.0%
AFFILIATED BANKSHARES OF COLORADO, INC.						
Greeley National Bank	28,896	34.7	32.6	28,088	35.6	33.8
Cache National Bank	4,716	5.7	5.3	4,124	5.2	5.0
West Greeley National Bank	2,156	2.6	2.4	2,199	2.8	2.6
UNITED BANKS OF COLORADO, INC.						
United Bank of Greeley	17,111	20.5	19.3	16,646	21.1	20.0
State Bank of Greeley	1,514	1.8	1.7	1,308	1.7	1.6
CITY OF GREELEY	83,290	100.0%	93.8	78,963	100.0%	94.9
South Platte National Bank, LaSalle	2,844		3.2	2,110		2.5
Eaton Bank	2,634		3.0	2,105		2.5
TOTAL: GREELEY AREA *	$88,768		100.0%	$83,178		100.0%

Note: Detail may not always add to total due to rounding.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

Source: Reports of Condition of individual banks, June issues, 1969 and 1970.

COMMERCIAL AND INDUSTRIAL LOANS - COMMERCIAL BANKS
IN THE CITY OF GREELEY AND THE GREELEY AREA *

(Dollar amounts in thousands)

	June 1970			June 1969		
	Amount	% of City	% of Area	Amount	% of City	% of Area
FIRST NATIONAL BANK OF GREELEY	$ 7,653	40.2%	38.6%	$ 7,304	36.9%	35.8%
AFFILIATED BANKSHARES OF COLORADO, INC.						
Greeley National Bank	4,914	25.8	24.8	6,275	31.7	30.8
Cache National Bank	1,377	7.2	6.9	1,004	5.1	4.9
West Greeley National Bank	245	1.3	1.2	355	1.8	1.7
UNITED BANKS OF COLORADO, INC.						
United Bank of Greeley	4,461	23.4	22.5	4,607	23.3	22.6
State Bank of Greeley	381	2.0	1.9	253	1.3	1.2
CITY OF GREELEY	19,031	100.0%	96.0	19,798	100.0%	97.2
South Platte National Bank, LaSalle	643		3.2	383		1.9
Eaton Bank	158		0.8	195		1.0
TOTAL: GREELEY AREA *	$19,832		100.0%	$20,376		100.0%

Note: Detail may not always add to total due to rounding.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

Source: Reports of Condition of individual banks, June issues, 1969 and 1970.

REAL ESTATE LOANS - COMMERCIAL BANKS IN THE CITY OF GREELEY AND THE GREELEY AREA *

(Dollar amounts in thousands)

	June 1970			June 1969		
	Amount	% of City	% of Area	Amount	% of City	% of Area
FIRST NATIONAL BANK OF GREELEY	$ 5,305	35.0%	32.4%	$ 5,024	35.2%	33.5%
AFFILIATED BANKSHARES OF COLORADO, INC.						
Greeley National Bank	5,911	39.0	36.1	5,583	39.2	37.2
Cache National Bank	725	4.8	4.4	650	4.6	4.3
West Greeley National Bank	385	2.5	2.4	336	2.4	2.2
UNITED BANKS OF COLORADO, INC.						
United Bank of Greeley	2,649	17.5	16.2	2,508	17.6	16.7
State Bank of Greeley	175	1.2	1.1	158	1.1	1.1
CITY OF GREELEY	15,150	100.0%	92.6	14,259	100.0%	95.0
South Platte National Bank, LaSalle	240		1.5	98		0.7
Eaton Bank	970		5.9	647		4.3
TOTAL: GREELEY AREA *	$16,360		100.0%	$15,004		100.0%

Note: Detail may not always add to total due to rounding.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

Source: Reports of Condition of individual banks, June issues, 1969 and 1970.

SINGLE PAYMENT LOANS - COMMERCIAL BANKS IN
THE CITY OF GREELEY AND THE GREELEY AREA *

(Dollar amounts in thousands)

	June 1970			June 1969		
	Amount	% of City	% of Area	Amount	% of City	% of Area
FIRST NATIONAL BANK OF GREELEY	$1,335	21.0%	20.7%	$ 15	0.3%	0.3%
AFFILIATED BANKSHARES OF COLORADO, INC.						
Greeley National Bank	1,956	30.7	30.3	1,812	41.4	39.7
Cache National Bank	988	15.5	15.3	952	21.8	20.9
West Greeley National Bank	499	7.8	7.7	405	9.3	8.9
UNITED BANKS OF COLORADO, INC.						
United Bank of Greeley	1,469	23.1	22.8	1,124	25.7	24.7
State Bank of Greeley	118	1.9	1.8	68	1.6	1.5
CITY OF GREELEY	6,365	100.0%	98.7	4,376	100.0%	96.0
South Platte National Bank, LaSalle	26		0.4	156		3.4
Eaton Bank	59		0.9	27		0.6
TOTAL: GREELEY AREA *	$6,450		100.0%	$4,559		100.0%

Note: Detail may not always add to total due to rounding.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

Source: Reports of Condition of individual banks, June issues, 1969 and 1970.

LOANS TO INDIVIDUALS ON AN INSTALLMENT BASIS - COMMERCIAL BANKS IN THE CITY OF GREELEY AND THE GREELEY AREA *

(Dollar amounts in thousands)

	June 1970			June 1969		
	Amount	% of City	% of Area	Amount	% of City	% of Area
FIRST NATIONAL BANK OF GREELEY	$ 2,920	19.1%	18.1%	$ 3,552	27.3%	25.2%
AFFILIATED BANKSHARES OF COLORADO, INC.						
Greeley National Bank	6,502	42.4	40.2	3,751	28.8	26.6
Cache National Bank	1,409	9.2	8.7	1,195	9.2	8.5
West Greeley National Bank	939	6.1	5.8	932	7.2	6.6
UNITED BANKS OF COLORADO, INC.						
United Bank of Greeley	3,303	21.6	20.4	3,336	25.6	23.6
State Bank of Greeley	247	1.6	1.5	257	2.0	1.8
CITY OF GREELEY	15,320	100.0%	94.8	13,023	100.0%	92.3
South Platte National Bank, LaSalle	650		4.0	926		6.6
Eaton Bank	192		1.2	160		1.1
TOTAL: GREELEY AREA *	$16,162		100.0%	$14,109		100.0%

Note: Detail may not always add to total due to rounding.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

Source: Reports of Condition of individual banks, June issues, 1969 and 1970.

LOANS TO FARMERS - COMMERCIAL BANKS IN
THE CITY OF GREELEY AND THE GREELEY AREA *

(Dollar amounts in thousands)

	June 1970			June 1969		
	Amount	% of City	% of Area	Amount	% of City	% of Area
FIRST NATIONAL BANK OF GREELEY	$ 10,800	41.6%	37.9%	$ 10,083	38.3%	36.1%
AFFILIATED BANKSHARES OF COLORADO, INC.						
Greeley National Bank	9,382	36.1	32.9	10,475	39.8	37.5
Cache National Bank	172	0.7	0.6	306	1.2	1.1
West Greeley National Bank	49	0.2	0.2	101	0.4	0.4
UNITED BANKS OF COLORADO, INC.						
United Bank of Greeley	4,961	19.1	17.4	4,816	18.3	17.2
State Bank of Greeley	590	2.3	2.1	563	2.1	2.0
CITY OF GREELEY	$ 25,954	100.0%	91.1%	$ 26,344	100.0%	94.2%
South Platte National Bank, LaSalle	1,283		4.5	542		1.9
Eaton Bank	1,253		4.4	1,067		3.8
TOTAL: GREELEY AREA *	$ 28,490		100.0%	$ 27,953		100.0%

Note: Detail may not always add to total due to rounding.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

Source: Reports of Condition of individual banks, June issues, 1969 and 1970.

TOTAL ASSETS OF COMMERCIAL BANKS IN THE
CITY OF GREELEY AND THE GREELEY AREA, 1960-1970
(Dollar amounts in thousands)

	June 1970			June 1969			June 1968			June 1967		
	Amount	% of City	% of Area	Amount	% of City	% of Area	Amount	% of City	% of Area	Amount	% of City	% of Area
First National Bank of Greeley	$ 47,704	34.6	32.4	$ 46,761	34.7	32.6	$ 40,888	35.0	32.8	$ 39,369	35.7	33.7
Greeley National Bank	48,193	35.0	32.7	50,363	37.3	35.1	42,004	35.9	33.6	39,345	35.7	33.7
Cache National Bank of Greeley (established 4/23/62)	7,982	5.7	5.4	7,188	5.3	5.0	5,867	5.0	4.7	4,972	4.5	4.3
West Greeley National Bank (established 7/5/63)	3,826	2.8	2.6	3,605	2.7	2.5	3,006	2.6	2.4	2,531	2.3	2.2
United Bank of Greeley (formerly Weld County Bank)	27,645	20.1	18.8	24,540	18.2	17.1	22,816	19.5	18.3	21,929	19.9	18.8
State Bank of Greeley (established 4/1/65)	2,463	1.8	1.7	2,400	1.8	1.7	2,298	2.0	1.8	2,011	1.8	1.7
TOTAL: CITY OF GREELEY	137,813	100.0	93.5	134,857	100.0	94.0	116,879	100.0	93.6	110,157	100.0	94.3
South Platte National Bank, LaSalle (established 3/3/64)	4,164	-	2.8	3,462	-	2.4	3,075	-	2.5	2,559	-	2.2
Eaton Bank	5,455	-	3.7	5,125	-	3.6	4,889	-	3.9	4,133	-	3.5
TOTAL: GREELEY AREA	147,432	-	100.0	143,444	-	100.0	124,843	-	100.0	116,849	-	100.0

TOTAL ASSETS OF COMMERCIAL BANKS IN THE
CITY OF GREELEY AND THE GREELEY AREA, 1960-1970
(Dollar amounts in thousands)

	June 1966			June 1965			June 1964			June 1963		
	Amount	% of City	% of Area	Amount	% of City	% of Area	Amount	% of City	% of Area	Amount	% of City	% of Area
First National Bank of Greeley	$ 34,126	34.5	32.4	$ 32,691	36.1	34.2	$ 31,151	37.2	35.2	$ 31,190	38.6	36.8
Greeley National Bank	36,965	37.3	35.1	35,800	39.5	37.4	30,950	36.9	34.9	30,070	37.2	35.5
Cache National Bank of Greeley (established 4/23/62)	4,157	4.2	3.9	3,228	3.6	3.4	2,664	3.2	3.0	2,289	2.8	2.7
West Greeley National Bank (established 7/5/63)	2,065	2.1	2.0	1,308	1.4	1.4	959	1.1	1.1	-	-	-
United Bank of Greeley (formerly Weld County Bank)	19,877	20.1	18.9	17,547	19.4	18.3	18,039	21.6	20.4	17,274	21.4	20.4
State Bank of Greeley (established 4/1/65)	1,811	1.8	1.7	-	-	-	-	-	-	-	-	-
TOTAL: CITY OF GREELEY	99,001	100.0	94.0	90,574	100.0	94.6	83,763	100.0	94.5	80,823	100.0	95.5
South Platte National Bank, LaSalle (established 3/3/64)	2,014	-	1.9	1,098	-	1.1	955	-	1.1	-	-	-
Eaton Bank	4,293	-	4.1	4,023	-	4.2	3,903	-	4.4	3,831	-	4.5
TOTAL: GREELEY AREA	105,308	-	100.0	95,695	-	100.0	88,621	-	100.0	84,654	-	100.0

TOTAL ASSETS OF COMMERCIAL BANKS IN THE
CITY OF GREELEY AND THE GREELEY AREA, 1960-1970
(Dollar amounts in thousands)

	June 1962			June 1961			June 1960		
	Amount	% of City	% of Area	Amount	% of City	% of Area	Amount	% of City	% of Area
First National Bank of Greeley	$ 28,207	40.3	38.2	$ 24,187	40.8	38.5	$ 22,242	40.1	37.8
Greeley National Bank	25,311	36.1	34.3	22,211	37.5	35.4	21,422	38.6	36.4
Cache National Bank of Greeley (established 4/23/62)	1,162	1.7	1.6	-	-	-	-	-	-
West Greeley National Bank (established 7/5/63)	-	-	-	-	-	-	-	-	-
United Bank of Greeley (formerly Weld County Bank)	15,380	22.0	20.8	12,823	21.7	20.4	11,854	21.4	20.2
State Bank of Greeley (established 4/1/65)	-	-	-	-	-	-	-	-	-
TOTAL: CITY OF GREELEY	70,060	100.0	94.9	59,221	100.0	94.4	55,518	100.0	94.4
South Platte National Bank, LaSalle (established 3/3/64)	-	-	-	-	-	-	-	-	-
Eaton Bank	3,762	-	5.1	3,524	-	5.6	3,290	-	5.6
TOTAL: GREELEY AREA	73,822	-	100.0	62,745	-	100.0	58,808	-	100.0

SOURCE: Polk's Bank Directory, September issue, various years.

TOTAL DEPOSITS OF COMMERCIAL BANKS IN THE
CITY OF GREELEY AND THE GREELEY AREA, 1960-1970
(Dollar amounts in thousands)

	June 1970			June 1969			June 1968			June 1967		
	Amount	% of City	% of Area	Amount	% of City	% of Area	Amount	% of City	% of Area	Amount	% of City	% of Area
First National Bank of Greeley	$ 39,237	33.9	31.8	$ 39,079	34.3	32.1	$ 35,725	34.6	32.5	$ 35,112	35.9	33.8
Greeley National Bank	39,279	34.0	31.8	41,366	36.3	34.0	37,230	36.1	33.8	34,948	35.6	33.6
Cache National Bank of Greeley (established 4/23/62)	7,080	6.1	5.7	6,268	5.5	5.2	5,236	5.0	4.7	4,402	4.5	4.2
West Greeley National Bank (established 7/5/63)	3,273	2.8	2.7	3,110	2.7	2.5	2,550	2.5	2.4	2,138	2.1	2.0
United Bank of Greeley (formerly Weld County Bank)	24,743	21.4	20.0	22,224	19.5	18.2	20,472	19.9	18.6	19,711	20.1	19.0
State Bank of Greeley (established 4/1/65)	2,070	1.8	1.7	2,008	1.8	1.6	1,897	1.8	1.7	1,616	1.6	1.5
TOTAL: CITY OF GREELEY	115,682	100.0	93.7	114,055	100.0	93.8	103,110	100.0	93.6	97,927	100.0	94.3
South Platte National Bank, LaSalle (established 3/3/64)	2,772	-	2.2	2,924	-	2.4	2,593	-	2.4	2,112	-	2.0
Eaton Bank	4,983	-	4.0	4,711	-	3.9	4,488	-	4.1	3,754	-	3.7
TOTAL: GREELEY AREA	123,437	-	100.0	121,690	-	100.0	110,191	-	100.0	103,793	-	100.0

TOTAL DEPOSITS OF COMMERCIAL BANKS IN THE
CITY OF GREELEY AND THE GREELEY AREA, 1960-1970
(Dollar amounts in thousands)

	June 1966			June 1965			June 1964			June 1963		
	Amount	% of City	% of Area	Amount	% of City	% of Area	Amount	% of City	% of Area	Amount	% of City	% of Area
First National Bank of Greeley	$ 30,137	34.4	32.4	$ 28,610	35.5	33.7	$ 26,154	35.7	33.9	$ 26,108	36.8	35.0
Greeley National Bank	32,888	37.6	35.3	32,167	40.0	37.9	27,690	37.8	35.8	27,062	38.2	36.4
Cache National Bank of Greeley (established 4/23/62)	3,653	4.2	4.0	2,751	3.5	3.3	2,224	3.0	2.8	1,893	2.7	2.6
West Greeley National Bank (established 7/5/63)	1,739	1.9	1.8	1,008	1.2	1.2	588	0.8	0.8	-	-	-
United Bank of Greeley (formerly Weld County Bank)	17,738	20.2	19.0	16,035	19.9	18.8	16,630	22.6	21.4	15,976	22.5	21.5
State Bank of Greeley (established 4/1/65)	1,397	1.6	1.5	-	-	-	-	-	-	-	-	-
TOTAL: CITY OF GREELEY	87,552	100.0	94.1	80,571	100.0	94.8	73,286	100.0	94.7	71,039	100.0	95.3
South Platte National Bank, LaSalle (established 3/3/64)	1,604	-	1.7	726	-	0.8	610	-	0.8	-	-	-
Eaton Bank	3,936	-	4.2	3,709	-	4.4	3,549	-	4.5	3,488	-	4.7
TOTAL: GREELEY AREA	93,092	-	100.0	85,006	-	100.0	77,445	-	100.0	74,527	-	100.0

TOTAL DEPOSITS OF COMMERCIAL BANKS IN THE
CITY OF GREELEY AND THE GREELEY AREA, 1960-1970
(Dollar amounts in thousands)

	June 1962			June 1961			June 1960		
	Amount	% of City	% of Area	Amount	% of City	% of Area	Amount	% of City	% of Area
First National Bank of Greeley	$ 24,342	39.4	37.3	$ 20,420	39.6	37.3	$ 18,633	38.6	36.3
Greeley National Bank	22,526	36.4	34.5	19,531	37.8	35.6	18,943	39.2	36.9
Cache National Bank of Greeley (established 4/23/62)	788	1.3	1.2	-	-	-	-	-	-
West Greeley National Bank (established 7/5/63)	-	-	-	-	-	-	-	-	-
United Bank of Greeley (formerly Weld County Bank)	14,152	22.9	21.7	11,659	22.6	21.3	10,712	22.2	20.9
State Bank of Greeley (established 4/1/65)	-	-	-	-	-	-	-	-	-
TOTAL: CITY OF GREELEY	61,808	100.0	94.7	51,610	100.0	94.1	48,288	100.0	94.2
South Platte National Bank, LaSalle (established 3/3/64)	-	-	-	-	-	-	-	-	-
Eaton Bank	3,430	-	5.3	3,207	-	5.9	2,994	-	5.8
TOTAL: GREELEY AREA	65,238	-	100.0	54,817	-	100.0	51,282	-	100.0

SOURCE: Polk's Bank Directory, September issue, various years.

TOTAL LOANS AND DISCOUNTS OF COMMERCIAL BANKS IN THE CITY OF GREELEY AND THE GREELEY AREA, 1960-1970
(Dollar amounts in thousands)

	June 1970			June 1969			June 1968			June 1967		
	Amount	% of City	% of Area	Amount	% of City	% of Area	Amount	% of City	% of Area	Amount	% of City	% of Area
First National Bank of Greeley	$ 28,897	34.7	32.9	$ 25,598	33.0	31.3	$ 22,892	32.2	45.1	$ 21,556	31.8	30.2
Greeley National Bank	28,896	34.7	32.9	28,088	36.2	34.3	22,296	37.0	43.9	24,764	36.6	34.7
Cache National Bank of Greeley (established 4/23/62)	4,716	5.7	5.4	4,125	5.3	5.0	3,405	4.8	6.7	3,287	4.9	4.6
West Greeley National Bank (established 7/5/63)	2,156	2.6	2.5	2,199	2.8	2.7	2,037	2.9	4.0	1,792	2.6	2.5
United Bank of Greeley (formerly Weld County Bank)	17,111	20.5	19.5	16,317	21.0	19.9	15,117	21.3	29.8	14,946	22.1	21.0
State Bank of Greeley (established 4/1/65)	1,514	1.8	1.7	1,308	1.7	1.6	1,264	1.8	2.5	1,341	2.0	1.9
TOTAL: CITY OF GREELEY	83,290	100.0	94.8	77,635	100.0	94.9	47,011	100.0	92.6	67,686	100.0	94.9
South Platte National Bank, LaSalle (established 3/3/64)	1,974	-	2.2	2,110	-	2.6	1,897	-	3.7	1,693	-	2.4
Eaton Bank	2,634	-	3.0	2,105	-	2.6	1,836	-	3.6	1,926	-	2.7
TOTAL: GREELEY AREA	87,898	-	100.0	81,850	-	100.0	50,744	-	100.0	71,305	-	100.0

TOTAL LOANS AND DISCOUNTS OF COMMERCIAL BANKS IN THE CITY OF GREELEY AND THE GREELEY AREA, 1960-1970
(Dollar amounts in thousands)

	June 1966			June 1965			June 1964			June 1963		
	Amount	% of City	% of Area	Amount	% of City	% of Area	Amount	% of City	% of Area	Amount	% of City	% of Area
First National Bank of Greeley	$ 21,207	33.8	33.0	$ 18,398	34.3	32.8	$ 18,569	36.5	34.9	$ 18,108	37.5	36.2
Greeley National Bank	23,369	37.3	36.4	20,192	37.6	36.0	18,908	37.1	35.5	18,192	37.7	36.4
Cache National Bank of Greeley (established 4/23/62)	2,359	3.8	3.7	1,922	3.6	3.4	1,627	3.2	3.1	1,322	2.7	2.6
West Greeley National Bank (established 7/5/63)	1,451	2.3	2.3	949	1.8	1.7	619	1.2	1.2	-	-	-
United Bank of Greeley (formerly Weld County Bank)	13,351	21.3	20.8	12,205	22.7	21.8	11,174	22.0	21.0	10,609	22.0	21.2
State Bank of Greeley (established 4/1/65)	986	1.6	1.5	-	-	-	-	-	-	-	-	-
TOTAL: CITY OF GREELEY	62,723	100.0	97.7	53,666	100.0	95.7	50,897	100.0	95.7	48,231	100.0	96.4
South Platte National Bank, LaSalle (established 3/3/64)	1,147	-	1.8	679	-	1.2	501	-	0.9	-	-	-
Eaton Bank	315	-	0.5	1,741	-	3.1	1,813	-	3.4	1,800	-	3.6
TOTAL: GREELEY AREA	64,185	-	100.0	56,086	-	100.0	53,211	-	100.0	50,031	-	100.0

TOTAL LOANS AND DISCOUNTS OF COMMERCIAL BANKS IN THE CITY OF GREELEY AND THE GREELEY AREA, 1960-1970
(Dollar amounts in thousands)

	June 1962			June 1961			June 1960		
	Amount	% of City	% of Area	Amount	% of City	% of Area	Amount	% of City	% of Area
First National Bank of Greeley	$ 15,207	38.1	36.6	$ 13,012	38.5	36.8	$ 11,814	38.0	36.3
Greeley National Bank	14,816	37.1	35.7	12,819	38.0	36.2	11,941	38.4	36.7
Cache National Bank of Greeley (established 4/23/62)	504	1.3	1.2	-	-	-	-	-	-
West Greeley National Bank (established 7/5/63)	-	-	-	-	-	-	-	-	-
United Bank of Greeley (formerly Weld County Bank)	9,402	23.5	22.6	7,936	23.5	22.4	7,303	23.5	22.5
State Bank of Greeley (established 4/1/65)	-	-	-	-	-	-	-	-	-
TOTAL: CITY OF GREELEY	39,929	100.0	96.1	33,767	100.0	95.4	31,058	100.0	95.5
South Platte National Bank, LaSalle (established 3/3/64)	-	-	-	-	-	-	-	-	-
Eaton Bank	1,620	-	3.9	1,632	-	4.6	1,459	-	4.5
TOTAL: GREELEY AREA	41,549	-	100.0	35,399	-	100.0	32,517	-	100.0

SOURCE: Polk's Bank Directory, September issue, various years.

Plaintiff's Exhibit 87

City of Greeley

Total Population: 1960-1970

Date	*Population*
January 1, 1960	26,314
January 1, 1961	27,500
January 1, 1962	28,000
January 1, 1963	30,000
January 1, 1964	31,500
January 1, 1965	32,500
January 1, 1966	33,000
January 1, 1967	33,300
January 1, 1968	33,000
January 1, 1969	35,000
April 1, 1970	38,902

Source: For years 1960-1969—Estimates of Colorado State Planning Office (April 1969). For 1970—U.S. Census, Final Population Count (4/1/70).

Plaintiff's Exhibit 88

Population of Greeley, Weld County, Colorado, and the United States, 1920—1970

Region	1970	1960	1950	1940	1930	1920
Greeley	38,902	26,314	20,354	15,995	12,203	10,958
Weld County	89,297	72,344	67,504	63,747	65,097	54,059
Colorado	2,207,000	1,754,000	1,325,000	1,123,000	1,036,000	940,000
United States	203,184,000	179,323,000	151,326,000	132,165,000	123,202,000	106,022,000

Changes in Population of Greeley, Weld County, Colorado, and the United States, 1920—1970

Region	1920-1970	1960-70	1950-60	1940-50	1930-40	1920-30
Greeley	+255.0%	+47.8%	+29.3%	+27.3%	+31.1%	+11.4%
Weld County	+65.1%	+23.4%	+7.2%	+5.9%	−2.0%	+20.0%
Colorado	+134.7%	+25.8%	+32.4%	+18.0%	+8.4%	+10.2%
United States	+91.6%	+13.3%	+18.5%	+14.5%	+7.3%	+16.2%

Note: Percentage changes represent Plaintiff's calculations.

Source: U.S. Bureau of the Census, Census of Population.

Plaintiff's Exhibit 89

Population of Selected Colorado Areas and the United States, 1920—1970

Region	1970	1960	1950	1940	1930	1920
City of Greeley	38,902	26,314	20,354	15,995	12,203	10,958
Weld County	89,297	72,344	67,504	63,747	65,097	54,059
El Paso County	235,972	143,742	74,523	54,025	49,570	44,027
Boulder County	131,889	74,254	48,296	37,438	32,456	31,861
Logan County	18,852	20,302	17,187	18,370	19,946	18,427
Colorado	2,207,259	1,753,947	1,325,089	1,123,296	1,035,791	939,629
United States	203,184,772	179,323,175	151,325,798	132,164,569	123,202,624	106,021,537

Percentage Growth in Population of Selected Colorado Areas and the United States, 1920—1970

Region	1920-1970	1960-1970	1950-1960	1940-1950	1930-1940	1920-1930
City of Greeley	255.0%	47.8%	29.3%	27.3%	31.1%	11.4%
Weld County	65.1	23.4	7.2	5.9	(2.0)	20.0
El Paso County	683.8	64.2	92.9	37.9	9.0	12.6
Boulder County	314.0	77.6	53.7	29.0	15.4	1.9
Logan County	2.3	(7.1)	18.1	(6.4)	(7.9)	8.2
Colorado	134.9	25.8	32.4	18.0	8.4	10.2
United States	91.6	13.3	18.5	14.5	7.3	16.2

Source: U.S. Bureau of the Census, Census of Population.

Plaintiff's Exhibit 90

Gross Sales, 1960-1970
Weld County and City of Greeley

Fiscal Year	Weld County Gross Sales (in millions)	Weld County % Yearly Increase	Weld County % Increase Since 1960	City of Greeley Gross Sales (in millions)	City of Greeley % Yearly Increase	City of Greeley % Increase Since 1961
1960	$139.0	—	—	NA	—	—
1961	148.7	7.0	7.0	$ 95.8	—	—
1962	151.9	2.2	9.3	99.0	3.3	3.3
1963	224.1	47.5	61.2	168.4	70.1	75.8
1964	251.5	12.2	80.9	195.1	15.9	103.7
1965	270.3	7.5	94.5	213.7	9.5	123.1
1966	289.1	7.0	108.0	228.0	6.7	138.0
1967	275.4	(4.7)	98.1	212.2	(6.9)	121.5
1968	326.4	18.5	134.8	259.0	22.1	170.4
1969	463.1	41.9	233.2	389.3	50.3	306.4
1970	444.2	(4.1)	219.6	365.8	(6.0)	281.8

Source: Department of Revenue, State of Colorado, Research and Statistics Section.

Plaintiff's Exhibit 91

Retail Sales, 1960-1970

Weld County and City of Greeley

Fiscal Year	Weld County Retail Sales (in millions)	Weld County % Yearly Increase	Weld County % Increase Since 1960	City of Greeley Retail Sales (in millions)	City of Greeley % Yearly Increase	City of Greeley % Increase Since 1961
1960	$116.6	—	—	NA	—	—
1961	121.4	4.1	4.1	$ 82.2	—	—
1962	126.7	4.4	8.7	85.0	3.4	3.4
1963	135.6	7.0	16.3	91.7	7.9	11.6
1964	150.7	11.1	29.2	104.4	13.8	27.0
1965	159.4	5.8	36.7	111.9	7.2	36.1
1966	162.8	2.1	39.6	112.9	.9	37.3
1967	174.4	7.1	49.6	122.6	8.6	49.1
1968	182.8	4.8	56.8	129.8	5.9	57.9
1969	201.9	10.4	73.2	142.1	9.5	72.9
1970	226.4	12.1	94.2	162.0	14.0	97.1

Source: Department of Revenue, State of Colorado, Research and Statistics Section.

Plaintiff's Exhibit 92

Electric Power Consumption

City of Greeley

Year	Kilowatt Hours Consumed	% Yearly Increase	% Increase Since 1960
1960	54,781,259	—	—
1961	61,496,976	12.3	12.3
1962	69,918,412	13.7	27.6
1963	77,262,569	10.5	41.0
1964	85,761,835	11.0	56.6
1965	90,882,082	6.0	65.9
1966	103,069,604	13.4	88.1
1967	112,459,031	9.1	105.3
1968	125,363,226	11.5	128.8
1969	138,388,342	10.4	152.6
1970	152,648,365	10.3	178.7

Source: Home Light and Power Company, Greeley, Colorado.

Plaintiff's Exhibit 93

Main Urban and Rural Business and Residence Telephones—City of Greeley

Date	Number of Main Telephones	% Yearly Increase	% Increase Since 1960
December 31, 1960	11,553	—	—
December 31, 1961	11,699	1.3	1.3
December 31, 1962	12,048	3.0	4.3
December 31, 1963	12,720	5.6	10.1
December 31, 1964	13,266	4.3	14.8
December 31, 1965	13,531	2.0	17.1
December 31, 1966 [1]	14,013	3.6	21.3
December 31, 1967	14,563	3.9	26.1
December 31, 1968	15,218	4.5	31.7
December 31, 1969	16,315	7.2	41.2
December 31, 1970	17,526	7.4	51.7

Source: Mountain Bell Telephone Company, Greeley Office, Mr. Keith Koogle.

[1] The exact figure for 12/31/66 was not available. The figure here is an average of the 11/30/66 figure and the 1/31/67 figure.

Plaintiff's Exhibit 94

City of Greeley

Postal Activity, 1960-1970

Postal Fiscal Year	Postal Receipts	Annual % Increase	% Increase Since 1960	Number of Daily Deliveries	Annual % Increase	% Increase Since 1960
1960	$ 432,518	—	—	9,835	—	—
1961	439,987	1.7	1.7	10,471	6.5	6.5
1962	455,913	3.6	5.4	11,405	8.9	16.0
1963	657,644	44.2	52.1	12,058	5.7	22.6
1964	775,639	17.9	79.3	12,419	3.0	26.3
1965	804,556	3.7	86.0	12,831	3.3	30.5
1966	872,778	8.5	101.8	13,000	1.3	32.2
1967	914,202	4.7	111.4	13,427	3.3	36.5
1968	1,000,313	9.4	131.3	13,529	.8	37.6
1969	1,203,254	20.3	178.2	13,855	2.4	40.9
1970	1,273,550	5.8	194.5	14,206	2.5	44.4

Source: City Delivery Statistics (Post Office Form 4028). Supplied by: Mr. Glenn MacDonald, Superintendent of Mails, Greeley, Colorado.

Plaintiff's Exhibit 95

Greeley Post Office

Rural Delivery Statistics, 1960-1970

Postal Fiscal Year	Boxes Served	Annual % Increase	% Increase Since 1960	Families Served	Annual % Increase	% Increase Since 1960	People Served	Annual % Increase	% Increase Since 1960
1960	1,442	—	—	1,646	—	—	5,599	—	—
1961	1,496	3.7	3.7	1,716	4.3	4.3	6,310	12.7	12.7
1962	1,375	(8.1)	(4.6)	1,538	(10.4)	(6.6)	5,281	(16.3)	(5.7)
1963	1,291	(6.1)	(10.5)	1,513	(1.6)	(8.1)	4,988	(5.5)	(10.9)
1964	1,506	16.7	4.4	1,640	8.4	(.4)	5,502	10.3	(1.7)
1965	1,657	10.0	14.9	1,784	8.8	8.4	5,943	8.0	6.1
1966	NA	—	—	NA	—	—	NA	—	—
1967	1,707	3.0	18.4	1,822	2.1	10.7	6,143	3.4	9.7
1968	NA	—	—	NA	—	—	NA	—	—
1969	2,066	21.0	43.3	2,187	20.0	32.9	6,842	11.4	22.2
1970	2,218	7.4	53.8	2,359	7.9	43.3	7,158	4.6	27.8

Source: Rural Delivery Statistics (Post Office Form 4029). Supplied by: Mr. Glenn MacDonald, Superintendent of Mails, Greeley, Colorado.

Plaintiff's Exhibit 96

Number of Water Taps

City of Greeley

Year	Number of Taps	% Annual Increase	% Increase Since 1960
1960	7,800	—	—
1961	8,285	6.2	6.2
1962	8,922	7.7	14.4
1963	9,231	3.5	18.3
1964	9,441	2.3	21.0
1965	9,566	1.3	22.6
1966	9,715	1.6	24.6
1967	9,867	1.6	26.5
1968	10,054	1.9	28.9
1969	10,300	2.4	32.1
1970	10,676	3.7	36.9

Source: City of Greeley, Colorado Water Department.

Plaintiff's Exhibit 97

City of Greeley

Building Permits Issued for Residental Building, 1960-1970

Year	Single Family Units [1]		Apartment Units [2]	
	Number	Construction Cost	Number	Construction Cost
1960	313	$3,049,530	113	$ 498,500
1961	347	3,318,300	134	564,300
1962	279	3,193,549	17	156,045
1963	290	3,616,837	252	596,372
1964	191	2,546,112	130	1,078,114
1965	90	1,280,999	75	521,512
1966	118	1,705,906	129	920,799
1967	144	2,079,496	141	841,276
1968	150	2,285,157	87	728,851
1969	156	2,711,030	108	841,903
1970	256	4,886,209	358	3,470,687

[1] Data pertain to new residences.

[2] Data pertain to duplexes and apartment buildings.

Source: City of Greeley, Colorado, Inspection Department.

Plaintiff's Exhibit 98

"Greeley Area"

Total Population, 1960-1970

1960 Population

Census Division	Population
Eaton	5,098
Evans	6,553
Gill	2,071
Greeley	26,314
Kersey	1,607
LaSalle-Gilcrest	3,585
TOTAL	45,228

1970 Population

Census Division	Population
Eaton	4,905
Evans	7,538
Greeley	38,902
Kersey-Gill	3,409
LaSalle-Gilcrest	3,746
TOTAL	58,500

Increase in Total Population of the "Greeley Area," 1960-1970-29.3%.

Source: 1960 Figures—U.S. Bureau of the Census, 1960 Census of Population and Housing Counts of Population and Housing Units by Enumeration District. 1970 Figures—U.S. Bureau of the Census, 1970 Census of Population and Housing Master Enumeration District List.

Plaintiff's Exhibit 99

Main Urban and Rural Business and Residence Telephones—"Greeley Area"[1]

Date	Number of Main Telephones	% Yearly Increase	% Increase Since 1960
December 31, 1960	13,080	—	—
December 31, 1961	13,189	0.8	0.8
December 31, 1962	14,239	8.0	8.9
December 31, 1963	14,257	0.1	9.0
December 31, 1964	14,826	4.0	13.3
December 31, 1965	15,106	1.9	15.5
December 31, 1966[2]	15,596	3.2	19.2
December 31, 1967	16,187	3.8	23.8
December 31, 1968	16,888	4.3	29.1
December 31, 1969	18,090	7.1	38.3
December 31, 1970	19,381	7.1	48.2

Source: Mountain Bell Telephone Company, Greeley Office, Mr. Keith Koogle.

[1] Telephone Company areas of Greeley, Eaton and LaSalle are geographically equivalent to the "Greeley Area" as defined in the Complaint.

[2] Exact figures for 12/31/66 were not available. This figure is an average of 11/30/66 figures and 1/31/67 figures.

Plaintiff's Exhibit 100

"Greeley Area" [1]

Gas Sales, 1960-1970

Year	Number of Customers at Year End	% Annual Increase	% Increase Since 1960	Volume for Year (In MCF)*	% Annual Increase	% Increase Since 1960
1960	9,790	—	—	2,479,104.1	—	—
1961	10,264	4.8	4.8	2,822,287.9	13.8	13.8
1962	10,638	3.6	8.7	2,849,557.7	1.0	14.9
1963	11,190	5.2	14.3	2,872,923.3	0.8	15.9
1964	11,713	4.7	19.6	3,467,833.8	20.7	39.9
1965	11,978	2.3	22.3	3,562,313.5	2.7	43.7
1966	12,248	2.3	25.1	3,934,385.1	10.4	58.7
1967	12,568	2.6	28.4	4,216,430.8	7.2	70.1
1968	13,003	3.5	32.8	4,799,097.5	13.8	93.6
1969	13,508	3.9	38.0	5,107,068.2	6.4	106.0
1970	14,224	5.3	45.3	5,634,686.2	10.3	127.3

[1] Includes City of Greeley and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Farmers and Bracewell.

* MCF = Thousand cubic feet.

Source: Greeley Gas Company, 1200 11th Avenue, Greeley, Colorado.

Plaintiff's Exhibit 101

Electric Power Consumption
Home Light and Power Company System *

Year	Kilowatt Hours Consumed	% Yearly Increase	% Increase Since 1960
1960	125,143,906	—	—
1961	129,305,663	3.3	3.3
1962	140,766,159	8.9	12.5
1963	160,935,440	14.3	28.6
1964	174,365,201	8.3	39.3
1965	175,524,373	.7	40.3
1966	203,675,408	16.0	62.8
1967	205,038,198	.7	63.8
1968	227,672,171	11.0	81.9
1969	246,138,760	8.1	96.7
1970	270,024,584	9.7	115.8

* The Home Light and Power Company System covers the population center of Weld County, including the towns of Nunn, Pierce, Ault, Eaton, Greeley, LaSalle, Gilcrest, Kersey, Briggsdale and territory around these communities.

Source: Home Light and Power Company, Greeley, Colorado.

Plaintiff's Exhibit 102

Weld County

Commercial Employment, 1959-1969

Year	Commercial Employment	% Increase Since 1959
1959	8,576	—
1962	9,198	7.3%
1964	10,708	24.9
1965	11,037	28.7
1966	11,620	35.5
1967	12,012	40.1
1968	12,629	47.3
1969	14,213	65.7

Source: Colorado State Planning Office, Capital Annex, Denver, Colorado.

Plaintiff's Exhibit 103

Weld County

Personal Income, 1929-1968

Year	Personal Income	% Increase Since 1959
1929	$ 28,890,000	—
1940	26,244,000	—
1950	88,502,000	—
1959	119,547,000	—
1962	137,021,000	14.6
1965	180,204,000	50.7
1966	194,798,000	62.9
1967	203,042,000	69.8
1968	211,943,000	77.3

Source: U.S. Department of Commerce, Office of Business Economics.

Weld County:
Earnings by Industrial Sector, 1950-1968
(Thousands of Dollars)

	1950	1959	1962	1965	1966
Total Earnings	$70,380	$94,656	$104,065	$141,523	$153,578
Farm Earnings	34,625	26,721	20,542	44,010	48,947
Total Nonfarm Earnings	35,755	67,935	83,523	97,513	104,631
Government Earnings	6,513	15,278	19,702	25,051	27,244
Total Federal	1,303	2,567	3,374	3,530	3,946
Federal Civilian	937	1,839	2,509	2,730	2,996
Military	366	728	865	800	950
State and Local	5,210	12,711	16,328	21,521	23,298
Private Nonfarm Earnings	29,242	[illegible] 657	63,821	72,462	77,387
Manufacturing	2,891	9,[illegible]00	11,322	13,721	15,310
Mining	1,813	2,575	2,000	2,186	2,312
Contract Construction	3,783	7,169	8,412	9,690	10,102
Transportation, Communication, and Public Utilities	2,674	5,450	6,033	7,558	7,646
Wholesale and Retail Trade	11,944	16,297	19,698	21,662	23,399
Finance, Insurance, and Real Estate	1,338	2,851	3,846	4,243	4,586
Services	4,564	8,257	11,211	12,388	12,975
Other	235	958	1,299	1,014	1,057

SOURCE: U.S. Department of Commerce, Office of Business Economics.

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Weld County:
Earnings by Industrial Sector, 1950-1968
(Thousands of Dollars)

1950	1959	1962	1965	1966	1967	1968
$70,380	$94,656	$104,065	$141,523	$153,578	$159,418	$164,689
34,625	26,721	20,542	44,010	48,947	47,928	46,656
35,755	67,935	83,523	97,513	104,631	111,490	118,033
6,513	15,278	19,702	25,051	27,244	30,358	33,571
1,303	2,567	3,374	3,530	3,946	4,138	4,452
937	1,839	2,509	2,730	2,996	3,068	3,265
366	728	865	800	950	1,070	1,187
5,210	12,711	16,328	21,521	23,298	26,220	29,119
29,242	52,657	63,821	72,462	77,387	81,132	84,462
2,891	9,100	11,322	13,721	15,310	16,185	18,280
1,813	2,575	2,000	2,186	2,312	1,996	2,127
3,783	7,169	8,412	9,690	10,102	9,999	8,609
2,674	5,450	6,033	7,558	7,646	7,831	8,432
11,944	16,297	19,698	21,662	23,399	24,450	25,165
1,338	2,851	3,846	4,243	4,586	5,390	5,673
4,564	8,257	11,211	12,388	12,975	14,214	15,149
235	958	1,299	1,014	1,057	1,067	1,027

, Office of Business Economics.

Weld County:
Earnings by Industrial Sector, 1950-1968
(Percent of Total Earnings)

	1950	1959	1962	1965	1966	1967	1968
Total Earnings	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Farm Earnings	49.20	28.23	19.74	31.10	31.87	30.06	28.33
Total Nonfarm Earnings	50.80	71.77	80.26	68.90	68.13	69.94	71.67
Government Earnings	9.25	16.14	18.93	17.70	17.74	19.04	20.38
Total Federal	1.85	2.71	3.24	2.49	2.57	2.60	2.70
Federal Civilian	1.33	1.94	2.41	1.93	1.95	1.92	1.98
Military	.52	.77	.83	.57	.62	.67	.72
State and Local	7.40	13.43	15.69	15.21	15.17	16.45	17.68
Private Nonfarm Earnings	41.55	55.63	61.33	51.20	50.39	50.89	51.29
Manufacturing	4.11	9.61	10.88	9.70	9.97	10.15	11.10
Mining	2.58	2.72	1.92	1.54	1.51	1.25	1.29
Contract Construction	5.38	7.57	8.08	6.85	6.58	6.27	5.23
Transportation, Communication, and Public Utilities	3.80	5.76	5.80	5.34	4.98	4.91	5.12
Wholesale and Retail Trade	16.97	17.22	18.93	15.31	15.24	15.34	15.28
Finance, Insurance, and Real Estate	1.90	3.01	3.70	3.00	2.99	3.38	3.44
Services	6.48	8.72	10.77	8.75	8.45	8.92	9.20
Other	.33	1.01	1.25	.72	.69	.67	.62

SOURCE: U.S. Department of Commerce, Office of Business Economics.

Weld County:
Earnings by Industrial Sector, 1950-1968
(Percent of Total Earnings)

	1950	1959	1962	1965	1966	1967	1968
	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	49.20	28.23	19.74	31.10	31.87	30.06	28.33
ings	50.80	71.77	80.26	68.90	68.13	69.94	71.67
gs	9.25	16.14	18.93	17.70	17.74	19.04	20.38
	1.85	2.71	3.24	2.49	2.57	2.60	2.70
lian	1.33	1.94	2.41	1.93	1.95	1.92	1.98
	.52	.77	.83	.57	.62	.67	.72
l	7.40	13.43	15.69	15.21	15.17	16.45	17.68
Earnings	41.55	55.63	61.33	51.20	50.39	50.89	51.29
	4.11	9.61	10.88	9.70	9.97	10.15	11.10
	2.58	2.72	1.92	1.54	1.51	1.25	1.29
ruction	5.38	7.57	8.08	6.85	6.58	6.27	5.23
, Communication,							
lities	3.80	5.76	5.80	5.34	4.98	4.91	5.12
Retail Trade	16.97	17.22	18.93	15.31	15.24	15.34	15.28
nce,							
te	1.90	3.01	3.70	3.00	2.99	3.38	3.44
	6.48	8.72	10.77	8.75	8.45	8.92	9.20
	.33	1.01	1.25	.72	.69	.67	.62

ent of Commerce, Office of Business Economics.

Plaintiff's Exhibit 105

Motor Vehicle Registrations,
Weld County, Colorado, 1960-1970

Year	Number	% Annual Increase	% Increase Since 1960	Receipts	% Annual Increase	% Increase Since 1960
1960	46,426	—	—	$434,047.02	—	—
1961	48,794	5.1	5.1	455,703.54	5.0	5.0
1962	50,066	2.6	7.8	466,648.95	2.4	7.5
1963	53,387	6.6	15.0	413,979.66	−11.3	−12.1
1964	55,691	4.3	20.0	511,796.76	23.6	17.9
1965	57,353	3.0	23.5	522,127.88	2.0	20.3
1966	58,870	2.6	26.8	533,093.59	2.1	22.8
1967	61,130	3.8	31.7	549,273.30	3.0	26.5
1968	64,005	4.7	37.9	571,936.76	4.1	31.8
1969	68,781	7.5	48.2	608,148.91	6.3	40.1
1970	74,822	8.8	61.2	801,975.48	31.9	84.8

Source: Department of Revenue, State of Colorado, Motor Vehicle Division, 140 West 6th Street, Denver Colorado.

STATE OF COLORADO

DEPARTMENT OF REVENUE

State Capitol Annex
1375 Sherman Street
Denver, Colorado 80203

IN REPLY REFER TO

Motor Vehicle Division
1375 Sherman Street
February 24, 1971

Mr. Herbert Schoepke
Anti-Trust Division
U. S. Department of Justice
Washington, D. C. 20530

Dear Sir:

We have compared the total sales and receipts for the years 1962, 1963, and 1964.

We find the total receipts for 1963 to be considerably lower than 1962. The reason this is so, is that in 1963 an additional registration fee of $1.50 was omitted. This fee, however, was reinstated in 1964.

Please find enclosed a copy of the annual report for 1962, 1963, and 1964.

Very truly yours,

DEPARTMENT OF REVENUE
MOTOR VEHICLE DIVISION

By Dallas W. Bash
DALLAS W. BASH, *Supervisor*
MOTOR VEHICLE REGISTRATIONS

Plaintiff's Exhibit 106

Weld County

Gas Sales, 1960-1970

Year	Number of Customers at Year End	% Annual Increase	% Increase Since 1960	Volume for Year (In MCF) *	% Annual Increase	% Increase Since 1960
1960	10,691	—	—	2,652,734.7	—	—
1961	11,222	5.0	5.0	3,017,996.2	13.8	13.8
1962	11,629	3.6	8.8	3,039,624.6	0.7	14.6
1963	12,238	5.2	14.5	3,068,559.1	1.0	15.7
1964	12,876	5.2	20.4	3,724,608.1	21.4	40.4
1965	13,184	2.4	23.3	3,847,946.8	3.3	45.1
1966	13,505	2.4	26.3	4,202,584.1	9.2	58.4
1967	13,876	2.7	29.8	4,540,790.0	8.0	71.2
1968	14,412	3.9	34.8	5,163,711.4	13.7	94.7
1969	15,095	4.7	41.2	5,503,288.9	6.6	107.5
1970	16,082	6.5	50.4	6,078,572.6	10.5	129.1

* MCF = thousand cubic feet.

Source: Greeley Gas Company, 1200 11th Avenue, Greeley, Colorado.

Plaintiff's Exhibit 107

Value of Commercial Construction In Weld County
1960-1969

Year	Value
1960	$ 703,246
1961	984,439
1962	1,191,925
1963	1,843,940
1964	1,077,287
1965	643,089
1966	1,624,109
1967	2,612,169
1968	1,254,581
1969	12,084,827
TOTAL:	$24,019,612

Source: Colorado State Planning Office, Capital Annex, Denver, Colorado.

Plaintiff's Exhibit 108

Weld County, Colorado

Value of All Building Construction
1960-1969

Year	Value
1960	$ 8,596,191
1961	8,447,731
1962	8,111,617
1963	10,491,135
1964	10,032,022
1965	5,934,996
1966	6,868,352
1967	10,801,561
1968	10,197,015
1969	23,023,894
TOTAL	$102,504,414

Source: Colorado State Planning Office, Capital Annex, Denver, Colorado.

Use Categories	1960 MCF Used*	1960 % Yearly Increase	1960 % Increase Since 1960	1961 MCF Used	1961 % Yearly Increase	1961 % Increase Since 1960
Domestic	5,481.9	-	-	4,940.6	(9.9)	(9.9)
Househeating	1,577,509.5	-	-	1,737,123.2	10.1	10.1
Commercial	20,121.9	-	-	19,335.2	(3.9)	(3.9)
Commercial Heat	645,584.2	-	-	702,975.8	8.9	8.9
Industrial	404,037.2	-	-	553,621.4	37.0	37.0
Irrigation Only	-	-	-	-	-	-
TOTAL MCF	2,652,734.7	-	-	3,017,996.2	13.8	13.8

Use Categories	1962 MCF Used	1962 % Yearly Increase	1962 % Increase Since 1960	1963 MCF Used	1963 % Yearly Increase	1963 % Increase Since 1960
Domestic	4,306.5	(12.8)	(21.4)	3,729.6	(13.4)	(32.0)
Househeating	1,747,771.6	0.6	10.8	1,726,739.3	(1.2)	9.5
Commercial	20,210.8	4.5	0.4	20,232.7	0.1	0.6
Commercial Heat	705,025.2	0.3	9.2	718,521.3	1.9	11.3
Industrial	562,310.5	1.6	39.2	599,336.2	6.6	48.3
Irrigation Only	-	-	-	-	-	-
TOTAL MCF	3,039,624.6	0.7	14.6	3,068,559.1	1.0	15.7

Use Categories	MCF Used	% Yearly Increase	% Increase Since 1960	MCF Used	% Yearly Increase	% Increase Since 1960
Domestic	3,181.0	(14.7)	(42.0)	2,515.5	(20.9)	(54.1)
Househeating	1,992,506.1	15.4	26.3	2,026,097.9	1.7	28.4
Commercial	19,046.7	(5.9)	(5.3)	18,949.2	(0.5)	(5.8)
Commercial Heat	893,048.4	24.3	38.3	979,327.5	9.7	51.7
Industrial	797,432.9	33.1	97.4	799,978.0	0.3	98.0
Irrigation Only	19,393.0	-	-	21,078.7	8.7	8.7
TOTAL MCF	3,724,608.1	21.4	40.4	3,847,946.8	3.3	45.1

Use Categories	1966 MCF Used	1966 % Yearly Increase	1966 % Increase Since 1960	1967 MCF Used	1967 % Yearly Increase	1967 % Increase Since 1960
Domestic	2,299.2	(8.6)	(58.1)	1,966.7	(14.5)	(64.1)
Househeating	2,097,381.5	3.5	32.9	2,138,132.1	1.9	33.0
Commercial	18,862.6	(0.5)	(6.3)	18,820.5	(0.2)	(6.5)
Commercial Heat	1,037,484.0	5.9	60.7	1,096,869.4	5.7	69.9
Industrial	1,012,288.3	26.5	150.5	1,256,249.5	24.1	210.9
Irrigation Only	34,268.5	62.6	76.7	28,751.8	(16.1)	48.3
TOTAL MCF	4,202,584.1	9.2	58.4	4,540,790.0	8.0	71.2

Use Categories	1968 MCF Used	1968 % Yearly Increase	1968 % Increase Since 1960	1969 MCF Used	1969 % Yearly Increase	1969 % Increase Since 1960
Domestic	1,887.1	(4.0)	(65.6)	1,837.4	(2.6)	(66.5)
Househeating	2,238,371.8	4.7	41.9	2,332,262.1	4.2	47.8
Commercial	17,653.8	(6.2)	(12.3)	20,358.1	15.3	1.2
Commercial Heat	1,196,938.5	9.1	85.4	1,281,769.8	7.1	98.5
Industrial	1,659,658.7	32.1	310.8	1,819,766.0	9.6	350.4
Irrigation Only	49,201.5	71.1	153.7	47,295.5	(3.9)	143.9
TOTAL MCF	5,163,711.4	13.7	94.7	5,503,288.9	6.6	107.5

Use Categories	1970 MCF Used	1970 % Yearly Increase	1970 % Increase Since 1960
Domestic	1,660.0	(9.7)	(69.7)
Househeating	2,456,975.6	5.3	55.8
Commercial	20,735.0	1.9	3.0
Commercial Heat	1,366,103.3	6.6	111.6
Industrial	2,185,415.4	20.1	440.9
Irrigation Only	47,683.3	0.8	145.9
TOTAL MCF	6,078,572.6	10.5	129.1

SOURCE: Greeley Gas Company
1200 11th Avenue
Greeley, Colorado

* MCF = thousand cubic feet.

COPY BOUND CLOSE IN CENTER

GAS SALES IN WELD COUNTY - CATEGORIES OF USAGE

AS PERCENTAGES OF TOTAL, 1960 - 1970

Use Categories	1960 MCF Used 1/	%	1961 MCF Used	%	1962 MCF Used	%
Domestic	5,481.9	0.2	4,940.6	0.2	4,306.5	0.1
Housheating	1,577,509.5	59.5	1,737,123.2	57.6	1,747,771.6	57.5
Commercial	20,121.9	0.8	19,335.2	0.6	20,210.8	0.7
Commercial Heat	645,584.2	24.3	702,975.8	23.3	705,025.2	23.2
Industrial	404,037.2	15.2	553,621.4	18.3	562,310.5	18.5
Irrigation Only	-	-	-	-	-	-
TOTAL MCF	2,652,734.7	100.0	3,017,996.2	100.0	3,039,624.6	100.0

Use Categories	1963 MCF Used	%	1964 MCF Used	%	1965 MCF Used	%
Domestic	3,729.6	0.1	3,181.0	0.1	2,515.5	0.1
Housheating	1,726,739.3	56.3	1,992,506.1	53.5	2,026,097.9	52.6
Commercial	20,232.7	0.7	19,046.7	0.5	18,949.2	0.5
Commercial Heat	718,521.3	23.4	893,048.4	24.0	979,327.5	25.5
Industrial	599,336.2	19.5	797,432.9	21.4	799,978.0	20.8
Irrigation Only	-	-	19,393.0	0.5	21,078.7	0.5
TOTAL MCF	3,068,559.1	100.0	3,724,608.1	100.0	3,847,946.8	100.0

Use Categories	1966 MCF Used	%	1967 MCF Used	%	1968 MCF Used	%
Domestic	2,299.2	0.1	1,966.7	*	1,887.1	*
Housheating	2,097,381.5	49.9	2,138,132.1	47.1	2,238,371.8	43.3
Commercial	18,862.6	0.4	18,820.5	0.4	17,653.8	0.3
Commercial Heat	1,037,684.0	24.7	1,096,869.4	24.2	1,196,938.5	23.2
Industrial	1,012,288.3	24.1	1,256,249.5	27.7	1,659,658.7	32.1
Irrigation Only	34,268.5	0.8	28,751.8	0.6	49,201.5	0.9
TOTAL MCF	4,202,984.1	100.0	4,540,790.0	100.0	5,163,711.4	100.0

Use Categories	1969 MCF Used	%	1970 MCF Used	%
Domestic	1,837.4	*	1,660.0	*
Housheating	2,332,262.1	42.4	2,456,975.6	40.4
Commercial	20,358.1	0.4	20,735.0	0.3
Commercial Heat	1,281,769.8	23.3	1,366,103.3	22.5
Industrial	1,819,766.0	33.1	2,185,415.4	35.9
Irrigation Only	47,295.5	0.8	47,683.3	0.8
TOTAL MCF	5,503,288.9	100.0	6,078,572.6	100.0

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* Less than 0.05 percent.

1/ MCF = Thousand cubic feet.

SOURCE: Greeley Gas Company
1200 11th Avenue
Greeley, Colorado

Value Added by Manufacture for Weld County, Colorado, and the United States-1958, 1963 and 1967

	Amount ($1,000)			Percentage Increase (%)		
	1958	1963	1967	1958 to 1963	1963 to 1967	1958 to 1967
Weld County	$ 18,354	$ 30,367	$ 44,200	65.5	45.6	140.8
Colorado	781,943	1,193,828	1,508,800	52.7	26.4	93.0
United States	141,540,618	192,247,900	262,357,800	35.8	36.5	85.4

SOURCE: U.S. Bureau of the Census.

Weld County: Data for 1958 and 1963 are found in the 1963 Census of Manufactures, Volume III - Area Statistics, while 1967 data are found in the 1967 Census of Manufactures, Area Series -- Colorado (MC67(P)-S6), issued March 1970.

Colorado: Data for 1958 are found in the 1963 Census of Manufactures, Volume III - Area Statistics, while data for 1963 and 1967 are found in the 1967 Census of Manufactures, Summary Series -- General Statistics for Geographic Divisions and States (MC67(P)-5), issued April 1970.

United States: Data for 1958 are found in the 1963 Census of Manufactures, Volume I - Summary and Subject Statistics, while data for 1963 and 1967 are found in the 1967 Census of Manufactures, Summary Series -- General Statistics for Geographic Divisions and States (MC67(P)-5), issued April 1970.

GREELEY CHAMBER OF COMMERCE
MEMBERSHIP AS OF NOVEMBER, 1970

Mailing Address	Number of Members	% of Total
Greeley	636	95.9
Evans	5	0.8
LaSalle	5	0.8
Eaton	3	0.5
Denver	3	0.5
Loveland	2	0.3
Lucerne	2	0.3
Gilcrest	1	0.2
Johnstown	1	0.2
Kersey	1	0.2
Fort Collins	1	0.2
Windsor	1	0.2
Brighton	1	0.2
Washington, D.C.	1	0.2
TOTAL	663	100.0

Note: Percentages do not add to 100.0 due to rounding.

SOURCE: Greeley Chamber of Commerce
Membership List

Plaintiff's Exhibit 113

Number of Bank Subsidiaries and Total Deposits of Bank Holding Companies in Colorado (Listed in the Order of Their Formation), 1960-1970

Holding Companies	No. of Bank Subsidiaries	Total Deposits Amount	Total Deposits % of Colorado	
December 31, 1960				
Western Bancorporation	3	$ 87,490		4.4%
December 31, 1961				
Western Bancorporation	3	$ 96,773		4.2%
December 31, 1962				
Western Bancorporation	3	$ 111,155	4.6%	
First Colorado Bankshares (formation approved, 11/16/61)*	3	52,973	2.2	
TOTAL	6	$ 164,128		6.9%
December 31, 1963				
Western Bancorporation	3	$ 123,750	4.9%	
First Colorado Bankshares	4	59,039	2.3	
TOTAL	7	$ 182,789		7.2%
December 31, 1964				
Western Bancorporation	3	$ 132,174	4.9%	
First Colorado Bankshares	4	69,633	2.6	
TOTAL	7	$ 201,807		7.5%
December 31, 1965				
Western Bancorporation	3	$ 144,862	5.0%	
First Colorado Bankshares	4	74,954	2.6	
Denver U.S. Bancorporation (formation approved, 11/7/63)*	4	418,047	14.6	
TOTAL	11	$ 637,863		22.2%
December 31, 1966				
Western Bancorporation	3	$ 156,941	5.2%	
First Colorado Bankshares	4	93,320	3.1	
Denver U.S. Bancorporation	5	441,252	14.6	
TOTAL	12	$ 691,513		22.9%
December 31, 1967				
Western Bancorporation	3	$ 188,068	5.5%	
First Colorado Bankshares	4	110,412	3.2	
Denver U.S. Bancorporation	5	492,682	14.3	
TOTAL	12	$ 791,162		23.0%
December 31, 1968				
Western Bancorporation	3	$ 202,164	5.2%	
First Colorado Bankshares	4	133,154	3.5	
Denver U.S. Bancorporation	5	557,085	14.4	
First National Bancorporation (formation approved, 5/27/68)*	4	569,176	14.8	
Colorado CNB Bankshares (formation approved, 11/29/67)*	3	293,727	7.6	
TOTAL	19	$1,755,306		45.5%

* Footnote appears on page 1141.

Number of Bank Subsidiaries and Total Deposits of Bank Holding Companies in Colorado (Listed in the Order of Their Formation), 1960-1970

Holding Companies	No. of Bank Subsidiaries	Total Deposits Amount	Total Deposits % of Colorado	
December 31, 1969				
Western Bancorporation	3	$ 212,167	5.4%	
First Colorado Bankshares	4	141,857	3.6	
Denver U.S. Bancorporation	7	594,278	15.1	
First National Bancorporation	4	529,783	13.4	
Colorado CNB Bankshares	4	303,992	7.7	
TOTAL	22	$1,782,077		45.2%
December 31, 1970 [1]				
Western Bancorporation	3	$ 212,167	5.4%	
First Colorado Bankshares	4	141,857	3.6	
Denver U.S. Bancorporation	9	608,222	15.4	
First National Bancorporation	4	529,783	13.4	
Colorado CNB Bankshares	5	309,737	7.9	
Affiliated Bankshares, Inc. (formation approved, 12/31/69)*	13	255,191	6.5	
Central Colorado Bancorporation (formation approved, 3/31/70)*	3	32,430	0.8	
TOTAL	41	$2,089,387		53.0%

* Indicates date on which the Board of Governors of the Federal Reserve System approved the initial bank acquisitions of each holding company.

[1] Figures show all acquisitions by bank holding companies as of December 31, 1970 but deposit figures are as of December 31, 1969.

Source: Holding company information: Board of Governors of the Federal Reserve System, *List of Registered Bank Holding Companies and their Subsidiaries*, various years.

Deposit figures: Polk's *Bank Directory*, March issues, 1961-1970.

Plaintiff's Exhibit 114

Total Assets Held By Bank Holding Companies in Colorado as of June, 1970 [1]
(Dollar amounts in thousands)

BANK GROUP / Bank	Amount	% of Colorado	
TOTAL: COLORADO COMMERCIAL BANKS	$4,522,583	100.0%	
TOTAL: HOLDING COMPANY BANKS	2,352,146	52.0	
FIRST NATIONAL BANCORPORATION, INC.			
First National Bank of Denver	586,462	13.0	
First National Bank of Southglenn	6,418	0.1	
First National Bank of Bear Valley	11,405	0.2	
First National Bank of Northglenn	9,461	0.2	
TOTAL	$ 613,746		13.6%
UNITED BANKS OF COLORADO, INC.			
United Bank of Denver, N.A.	543,628	12.0	
United Bank of Aurora	14,758	0.3	
United Bank of Boulder	27,208	0.6	
United Bank of Greeley	27,645	0.6	
United Bank of Littleton	15,464	0.3	
United Bank of Ft. Collins, N.A.	38,486	0.9	
United Bank of Lakewood, N.A.	6,930	0.2	
United Bank of Pueblo	18,741	0.4	
Mesa National Bank of Grand Junction [2]	8,837	0.2	
TOTAL	$ 701,697		15.5%
COLORADO CNB BANKSHARES, DENVER			
Colorado National Bank of Denver	299,064	6.6	
Northeast Colorado National Bank of Denver	9,680	0.2	
South Colorado National Bank, Denver	5,632	0.1	
Lakewood Colorado National Bank	9,345	0.2	
Bank of Glenwood, Glenwood Springs [3]	6,637	0.1	
TOTAL	$ 330,358		7.3%
WESTERN BANCORPORATION, LOS ANGELES			
American National Bank, Denver	132,416	2.9	
Continental National Bank, Englewood	35,662	0.8	
First National Bank of Ft. Collins	60,331	1.3	
TOTAL	$ 228,409		5.1%
FIRST COLORADO BANKSHARES, INC.			
First National Bank of Englewood	61,341	1.4	
Security National Bank, Denver	28,848	0.6	
University National Bank, Denver	28,300	0.6	
Lakeside National Bank, Wheat Ridge	25,434	0.6	
TOTAL	$ 143,923		3.2%

TOTAL ASSETS HELD BY BANK HOLDING COMPANIES IN COLORADO AS OF JUNE, 1970
(Dollar amounts in thousands)

BANK GROUP / Bank	Amount	% of Colorado	
AFFILIATED BANKSHARES OF COLORADO, INC.			
First National Bank of Colorado Springs	103,261	2.3	
Fort Carson National Bank	5,270	0.1	
Bank of Manitou	3,762	0.1	
First National Bank in Loveland	26,333	0.6	
Westlake First National Bank (Loveland)	3,853	0.1	
Greeley National Bank	48,193	1.1	
Cache National Bank of Greeley	7,982	0.2	
West Greeley National Bank	3,826	0.1	
Farmers National Bank of Ault	6,634	0.1	
First National Bank of Boulder	70,316	1.6	
Arapahoe National Bank of Boulder	7,123	0.2	
First National Bank of Lafayette	3,923	0.1	
First National Bank of Louisville	3,616	0.1	
TOTAL	$ 294,092		6.5%
CENTRAL COLORADO BANCORPORATION, INC.			
Central Colorado Bank, Colorado Springs	$ 27,826	0.6%	
Academy Boulevard Bank, Colorado Springs	6,828	0.2	
Rocky Ford National Bank	5,267	0.1	
TOTAL	$ 39,921		0.9%
TOTAL: HOLDING COMPANY BANKS	2,352,146		52.0
TOTAL: INDEPENDENT BANKS	2,170,437		48.0
TOTAL: COLORADO COMMERCIAL BANKS	$4,522,583		100.0%

Source: Polk's *Bank Directory*, September 1970 issue.

[1] This table includes all bank holding company acquisitions approved by the Board of Governors of the Federal Reserve System as of June 30, 1970 with the exception of First National Bancorporation's proposed acquisition of the First National Bank of Greeley.

[2] Acquisition approved by the Board of Governors of the Federal Reserve System on October 29, 1970.

[3] Acquisition approved by the Board of Governors of the Federal Reserve System on July 14, 1970.

Plaintiff's Exhibit 115

Total Deposits Held By Bank Holding Companies in Colorado as of June, 1970 [1]
(Dollar amounts in thousands)

BANK GROUP / Bank	Amount	% of Colorado	
TOTAL: COLORADO COMMERCIAL BANKS	$3,832,993	100.0%	
TOTAL: HOLDING COMPANY BANKS	1,956,912	51.1	
FIRST NATIONAL BANCORPORATION, INC.			
First National Bank of Denver	471,277	12.3	
First National Bank of Southglenn	5,835	0.2	
First National Bank of Bear Valley	10,089	0.3	
First National Bank of Northglenn	8,474	0.2	
TOTAL	$ 495,675		12.9%
UNITED BANKS OF COLORADO, INC.			
United Bank of Denver, N.A.	425,208	11.1	
United Bank of Aurora	13,226	0.3	
United Bank of Boulder	23,490	0.6	
United Bank of Greeley	24,743	0.6	
United Bank of Littleton	14,756	0.4	
United Bank of Ft. Collins, N.A.	32,753	0.9	
United Bank of Lakewood, N.A.	5,939	0.2	
United Bank of Pueblo	16,686	0.4	
Mesa National Bank of Grand Junction [2]	7,685	0.2	
TOTAL	$ 565,486		14.8%
COLORADO CNB BANKSHARES, DENVER			
Colorado National Bank of Denver	254,341	6.6	
Northeast Colorado National Bank of Denver	8,488	0.2	
South Colorado National Bank, Denver	4,960	0.1	
Lakewood Colorado National Bank	7,705	0.2	
Bank of Glenwood, Glenwood Springs [3]	5,833	0.2	
TOTAL	$ 281,327		7.3%
WESTERN BANCORPORATION, LOS ANGELES			
American National Bank, Denver	117,234	3.1	
Continental National Bank, Englewood	31,005	0.8	
First National Bank of Ft. Collins	49,619	1.3	
TOTAL	$ 197,858		5.2%
FIRST COLORADO BANKSHARES, INC.			
First National Bank of Englewood	50,593	1.3	
Security National Bank, Denver	22,971	0.6	
University National Bank, Denver	24,995	0.7	
Lakeside National Bank, Wheat Ridge	21,819	0.6	
TOTAL	$ 120,378		3.1%

TOTAL DEPOSITS HELD BY BANK HOLDING COMPANIES IN COLORADO AS OF JUNE, 1970 [1]
(Dollar amounts in thousands)

BANK GROUP / Bank	Amount	% of Colorado	
AFFILIATED BANKSHARES OF COLORADO, INC.			
First National Bank of Colorado Springs	92,069	2.4	
Fort Carson National Bank	3,829	0.1	
Bank of Manitou	3,301	0.1	
First National Bank in Loveland	23,452	0.6	
Westlake First National Bank (Loveland)	3,291	0.1	
Greeley National Bank	39,443	1.0	
Cache National Bank of Greeley	7,080	0.2	
West Greeley National Bank	3,273	0.1	
Farmers National Bank of Ault	5,775	0.2	
First National Bank of Boulder	65,383	1.7	
Arapahoe National Bank of Boulder	6,438	0.2	
First National Bank of Lafayette	3,530	0.1	
First National Bank of Louisville	3,312	0.1	
TOTAL	$ 260,176		6.8%
CENTRAL COLORADO BANCORPORATION, INC.			
Central Colorado Bank, Colorado Springs	$ 25,219	0.7%	
Academy Boulevard Bank, Colorado Springs	6,124	0.2	
Rocky Ford National Bank	4,669	0.1	
TOTAL	$ 36,012		0.9%
TOTAL: HOLDING COMPANY BANKS	1,956,912		51.1
TOTAL: INDEPENDENT BANKS	1,876,081		48.9
TOTAL: COLORADO COMMERCIAL BANKS	$3,832,993		100.0%

Source: Federal Deposit Insurance Corporation, *Summary of Deposits 1970 Bank and Branch Offices by County and State.*

[1] This table includes all bank holding company acquisitions approved by the Board of Governors of the Federal Reserve System as of June 30, 1970 with the exception of First National Bancorporation's proposed acquisition of the First National Bank of Greeley.

[2] Acquisition approved by the Board of Governors of the Federal Reserve System on October 29, 1970.

[3] Acquisition approved by the Board of Governors of the Federal Reserve System on July 14, 1970.

Plaintiff's Exhibit 116

Demand Deposits of Individuals, Partnerships and Corporations Held By Bank Holding Companies in Colorado as of June, 1970 [1]
(Dollar amounts in thousands)

BANK GROUP / Bank	Amount	% of Colorado	
TOTAL: COLORADO COMMERCIAL BANKS	$1,558,677	100.0%	
TOTAL: HOLDING COMPANY BANKS	792,890	50.9	
FIRST NATIONAL BANCORPORATION, INC.			
First National Bank of Denver	202,019	13.0	
First National Bank of Southglenn	2,278	0.1	
First National Bank of Bear Valley	4,488	0.3	
First National Bank of Northglenn	3,914	0.3	
TOTAL	$ 212,699		13.6%
UNITED BANKS OF COLORADO, INC.			
United Bank of Denver, N.A.	197,011	12.6	
United Bank of Aurora	5,400	0.3	
United Bank of Boulder	9,052	0.6	
United Bank of Greeley	8,272	0.5	
United Bank of Littleton	6,505	0.4	
United Bank of Ft. Collins N.A.	13,400	0.9	
United Bank of Lakewood, N.A.	2,872	0.2	
United Bank of Pueblo	6,830	0.4	
Mesa National Bank of Grand Junction [2]	3,274	0.2	
TOTAL	$ 252,616		16.2%
COLORADO CNB BANKSHARES, DENVER			
Colorado National Bank of Denver	86,391	5.5	
Northeast Colorado National Bank of Denver	4,823	0.3	
South Colorado National Bank, Denver	2,307	0.1	
Lakewood Colorado National Bank	3,738	0.2	
Bank of Glenwood, Glenwood Springs [3]	2,639	0.2	
TOTAL	$ 99,898		6.3%
WESTERN BANCORPORATION, LOS ANGELES			
American National Bank, Denver	38,375	2.5	
Continental National Bank, Englewood	13,643	0.9	
First National Bank of Ft. Collins	16,365	1.0	
TOTAL	$ 68,383		4.4%
FIRST COLORADO BANKSHARES, INC.			
First National Bank of Englewood	19,578	1.3	
Security National Bank, Denver	10,416	0.7	
University National Bank, Denver	11,977	0.8	
Lakeside National Bank, Wheat Ridge	8,694	0.6	
TOTAL	$ 50,665		3.3%

DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS HELD BY BANK HOLDING COMPANIES IN COLORADO AS OF JUNE, 1970
(Dollar amounts in thousands)

BANK GROUP / Bank	Amount	% of Colorado	
AFFILIATED BANKSHARES OF COLORADO, INC.			
First National Bank of Colorado Springs	38,855	2.5	
Fort Carson National Bank	1,418	0.1	
Bank of Manitou	1,564	0.1	
First National Bank in Loveland	7,814	0.5	
Westlake First National Bank (Loveland)	846	0.1	
Greeley National Bank	14,234	0.9	
Cache National Bank of Greeley	2,706	0.2	
West Greeley National Bank	1,031	0.1	
Farmers National Bank of Ault	1,743	0.1	
First National Bank of Boulder	18,205	1.2	
Arapahoe National Bank of Boulder	2,910	0.2	
First National Bank of Lafayette	1,018	0.1	
First National Bank of Louisville	763	X	
TOTAL	$ 93,107		6.0%
CENTRAL COLORADO BANCORPORATION, INC.			
Central Colorado Bank, Colorado Springs	$ 9,797	0.6%	
Academy Boulevard Bank, Colorado Springs	3,002	0.2	
Rocky Ford National Bank	2,723	0.2	
TOTAL	$ 15,522		1.0%
TOTAL: HOLDING COMPANY BANKS	792,890		50.9
TOTAL: INDEPENDENT BANKS	795,787		49.1
TOTAL: COLORADO COMMERCIAL BANKS	$1,588,677		100.0%

Source: Federal Deposit Insurance Corporation, *Summary of Deposits 1970 Bank and Branch Offices by County and State.*

[1] This table includes all bank holding company acquisitions approved by the Board of Governors of the Federal Reserve System as of June 30, 1970 with the exception of First National Bancorporation's proposed acquisition of the First National Bank of Greeley.

[2] Acquisition approved by the Board of Governors of the Federal Reserve System on October 29, 1970.

[3] Acquisition approved by the Board of Governors of the Federal Reserve System on July 14, 1970.

X Less than 0.05%.

Plaintiff's Exhibit 117

Time & Savings Deposits Held By Bank Holding Companies in Colorado as of June, 1970 [1]
(Dollar amounts in thousands)

BANK GROUP / Bank	Amount	% of Colorado	
TOTAL: COLORADO COMMERCIAL BANKS	$1,494,317	[3] 100.0%	
TOTAL: HOLDING COMPANY BANKS	707,209	47.3	
FIRST NATIONAL BANCORPORATION, INC.			
First National Bank of Denver	144,706	9.7	
First National Bank of Southglenn	2,819	0.2	
First National Bank of Bear Valley	4,995	0.3	
First National Bank of Northglenn	3,794	0.3	
TOTAL	$ 156,314		10.5%
UNITED BANKS OF COLORADO, INC.			
United Bank of Denver, N.A.	135,184	9.0	
United Bank of Aurora	4,610	0.3	
United Bank of Boulder	12,837	0.9	
United Bank of Greeley	13,160	0.9	
United Bank of Littleton	5,814	0.4	
United Bank of Ft. Collins N.A.	14,068	0.9	
United Bank of Lakewood, N.A.	1,871	0.1	
United Bank of Pueblo	6,527	0.4	
Mesa National Bank of Grand Junction [2]	3,575	0.2	
TOTAL	$ 197,646		13.2%
COLORADO CNB BANKSHARES, DENVER			
Colorado National Bank of Denver	109,609	7.3	
Northeast Colorado National Bank of Denver	2,751	0.2	
South Colorado National Bank, Denver	2,078	0.1	
Lakewood Colorado National Bank	2,951	0.2	
Bank of Glenwood, Glenwood Springs [2]	2,456	0.2	
TOTAL	$ 119,845		8.0%
WESTERN BANCORPORATION, LOS ANGELES			
American National Bank, Denver	47,562	3.2	
Continental National Bank, Englewood	14,622	1.0	
First National Bank of Ft. Collins	17,582	1.2	
TOTAL	$ 79,766		5.4%
FIRST COLORADO BANKSHARES, INC.			
First National Bank of Englewood	20,312	1.4	
Security National Bank, Denver	8,531	0.6	
University National Bank, Denver	10,321	0.7	
Lakeside National Bank, Wheat Ridge	10,998	0.7	
TOTAL	$ 50,162		3.4%

TIME & SAVINGS DEPOSITS HELD BY BANK HOLDING COMPANIES IN COLORADO AS OF JUNE, 1970
(Dollar amounts in thousands)

BANK GROUP / Bank	Amount	% of Colorado	
AFFILIATED BANKSHARES OF COLORADO, INC.			
First National Bank of Colorado Springs	27,227	1.8	
Fort Carson National Bank	1,562	0.1	
Bank of Manitou	818	0.1	
First National Bank in Loveland	11,232	0.8	
Westlake First National Bank (Loveland)	1,562	0.1	
Greeley National Bank	19,116	1.3	
Cache National Bank of Greeley	3,056	0.2	
West Greeley National Bank	1,639	0.1	
Farmers National Bank of Ault	2,550	0.2	
First National Bank of Boulder	19,517	1.3	
Arapahoe National Bank of Boulder	2,433	0.2	
First National Bank of Lafayette	1,465	0.1	
First National Bank of Louisville	1,838	0.1	
TOTAL	$ 94,015		6.3%
CENTRAL COLORADO BANCORPORATION, INC.			
Central Colorado Bank, Colorado Springs	$ 7,062	0.5%	
Academy Boulevard Bank, Colorado Springs	1,578	0.1	
Rocky Ford National Bank	821	0.1	
TOTAL	$ 9,461		0.6%
TOTAL: HOLDING COMPANY BANKS	707,209		47.3
TOTAL: INDEPENDENT BANKS	787,108		52.7
TOTAL: COLORADO COMMERCIAL BANKS	$1,494,317		100.0%

Source: Federal Deposit Insurance Corporation, *Summary of Deposits 1970 Bank and Branch Offices by County and State.*

[1] This table includes all bank holding company acquisitions approved by the Board of Governors of the Federal Reserve System as of June 30, 1970 with the exception of First National Bancorporation's proposed acquisition of the First National Bank of Greeley.

[2] Acquisition approved by the Board of Governors of the Federal Reserve System on October 29, 1970.

[3] Acquisition approved by the Board of Governors of the Federal Reserve System on July 14, 1970.

Plaintiff's Exhibit 118

Loans & Discounts Held By Bank Holding Companies in Colorado as of June, 1970 [1]
(Dollar amounts in thousands)

BANK GROUP / Bank	Amount	% of Colorado	
TOTAL: COLORADO COMMERCIAL BANKS	$2,550,164	100.0%	
TOTAL: HOLDING COMPANY BANKS	1,334,073	52.3	
FIRST NATIONAL BANCORPORATION, INC.			
First National Bank of Denver	340,809	13.4	
First National Bank of Southglenn	3,214	0.1	
First National Bank of Bear Valley	6,895	0.3	
First National Bank of Northglenn	6,128	0.2	
TOTAL	$ 357,046		14.0%
UNITED BANKS OF COLORADO, INC.			
United Bank of Denver, N.A.	313,519	12.3	
United Bank of Aurora	7,119	0.3	
United Bank of Boulder	16,111	0.6	
United Bank of Greeley	17,111	0.7	
United Bank of Littleton	8,164	0.3	
United Bank of Ft. Collins N.A.	20,658	0.8	
United Bank of Lakewood, N.A.	3,983	0.2	
United Bank of Pueblo	10,365	0.4	
Mesa National Bank of Grand Junction [2]	5,995	0.2	
TOTAL	$ 403,025		15.8%
COLORADO CNB BANKSHARES, DENVER			
Colorado National Bank of Denver	170,005	6.7	
Northeast Colorado National Bank of Denver	6,040	0.2	
South Colorado National Bank, Denver	3,691	0.1	
Lakewood Colorado National Bank	5,275	0.2	
Bank of Glenwood, Glenwood Springs [2]	4,574	0.2	
TOTAL	$ 189,585		7.4%
WESTERN BANCORPORATION, LOS ANGELES			
American National Bank, Denver	71,878	2.8	
Continental National Bank, Englewood	21,312	0.8	
First National Bank of Ft. Collins	39,027	1.5	
TOTAL	$ 132,217		5.2%
FIRST COLORADO BANKSHARES, INC.			
First National Bank of Englewood	28,712	1.1	
Security National Bank, Denver	14,702	0.6	
University National Bank, Denver	16,352	0.6	
Lakeside National Bank, Wheat Ridge	13,037	0.5	
TOTAL	$ 72,803		2.9%

LOANS & DISCOUNTS HELD BY BANK HOLDING COMPANIES IN COLORADO AS OF JUNE, 1970
(Dollar amounts in thousands)

BANK GROUP / Bank	Amount	% of Colorado	
AFFILIATED BANKSHARES OF COLORADO, INC.			
First National Bank of Colorado Springs	57,743	2.3	
Fort Carson National Bank	2,386	0.1	
Bank of Manitou	2,252	0.1	
First National Bank in Loveland	14,597	0.6	
Westlake First National Bank (Loveland)	2,039	0.1	
Greeley National Bank	28,896	1.1	
Cache National Bank of Greeley	4,716	0.2	
West Greeley National Bank	2,156	0.1	
Farmers National Bank of Ault	3,723	0.1	
First National Bank of Boulder	32,546	1.3	
Arapahoe National Bank of Boulder	4,253	0.2	
First National Bank of Lafayette	1,988	0.1	
First National Bank of Louisville	1,706	0.1	
TOTAL	$ 159,001		6.2%
CENTRAL COLORADO BANCORPORATION, INC.			
Central Colorado Bank, Colorado Springs	$ 14,392	0.6%	
Academy Boulevard Bank, Colorado Springs	3,171	0.1	
Rocky Ford National Bank	2,832	0.1	
TOTAL	$ 20,395		0.8%
TOTAL: HOLDING COMPANY BANKS	1,334,073		52.3
TOTAL: INDEPENDENT BANKS	1,216,091		47.7
TOTAL: COLORADO COMMERCIAL BANKS	$2,550,164		100.0%

Source: Polk's *Bank Directory*, September 1970 issue.

[1] This table includes all bank holding company acquisitions approved by the Board of Governors of the Federal Reserve System as of June 30, 1970 with the exception of First National Bancorporation's proposed acquisition of the First National Bank of Greeley.

[2] Acquisition approved by the Board of Governors of the Federal Reserve System on October 29, 1970.

[3] Acquisition approved by the Board of Governors of the Federal Reserve System on July 14, 1970.

Plaintiff's Exhibit 119

Total Deposits Held By The Ten Largest Banking Organizations in the State of Colorado, June 1970
(Dollar amounts in thousands)

	Deposits (Amount)	% of Colorado
1. United Banks of Colorado, Inc.	$ 557,891	14.6
2. First National Bancorporation, Inc.	495,675	12.9
3. Colorado CNB Bankshares	275,494	7.2
4. Affiliated Bankshares of Colorado	260,176	6.8
5. Western Bancorporation	197,567	5.2
6. Central Bank & Trust Co., Denver	188,790	4.9
7. First Colorado Bankshares, Littleton	120,378	3.1
8. First National Bank of Pueblo	60,430	1.6
9. Exchange National Bank of Colorado Springs	54,017	1.4
10. Jefferson County Bank, Lakewood	52,379	1.4
TOTAL: 10 Largest Organizations	2,262,767	57.5
TOTAL: ALL COLORADO BANKS	3,832,993	100.0

Source: Federal Deposit Insurance Corporation, *Summary of Deposits 1970 Bank and Branch Offices by County and State.*

Plaintiff's Exhibit 120

Demand Deposits of Individuals, Partnerships and Corporations Held by the Ten Largest Banking Organizations in the State of Colorado, June 1970
(Dollar amounts in thousands)

	Deposits (Amount)	% of Colorado
1. United Banks of Colorado, Inc.	$ 249,342	16.0
2. First National Bancorporation, Inc.	212,699	13.6
3. Colorado CNB Bankshares	97,259	6.2
4. Affiliated Bankshares of Colorado	93,107	6.0
5. Western Bancorporation	68,235	4.4
6. Central Bank & Trust Co., Denver	64,218	4.1
7. First Colorado Bankshares, Littleton	50,665	3.3
8. Jefferson County Bank, Lakewood	23,408	1.5
9. Exchange National Bank of Colorado Springs	23,371	1.5
10. Colorado Springs National Bank	18,970	1.2
TOTAL: 10 Largest Organizations	901,274	57.8
TOTAL: ALL COLORADO BANKS	1,558,677	100.0

Source: Federal Deposit Insurance Corporation, *Summary of Deposits 1970 Bank and Branch Offices by County and State.*

Plaintiff's Exhibit 121

Time and Savings Deposits Held by the Ten Largest Banking Organizations in the State of Colorado, June 1970
(Dollar amounts in thousands)

	Deposits (Amount)	% of Colorado
1. United Banks of Colorado, Inc.	$ 194,071	13.0
2. First National Bancorporation, Inc.	156,314	10.5
3. Colorado CNB Bankshares	117,389	7.9
4. Affiliated Bankshares of Colorado	94,015	6.3
5. Western Bancorporation	79,622	5.3
6. Central Bank & Trust Co., Denver	82,364	5.5
7. First Colorado Bankshares, Littleton	50,162	3.4
8. Jefferson County Bank, Lakewood	21,490	1.4
9. First National Bank of Greeley	21,382	1.4
10. First National Bank of Pueblo	18,745	1.3
TOTAL: 10 Largest Organizations	835,554	56.0
TOTAL: ALL COLORADO BANKS	1,494,317	100.0

Source: Federal Deposit Insurance Corporation, *Summary of Deposits 1970 Bank and Branch Offices by County and State.*

Plaintiff's Exhibit 122

Total Assets of the Twenty-Five Largest Banks in the State of Colorado, June 1970 *
(Dollar amounts in thousands)

	Assets (Amount)	% of Colorado
1. First National Bank of Denver [1]	$ 586,462	13.0
2. United Bank of Denver, N.A. [2]	543,628	12.0
3. Colorado National Bank of Denver [3]	299,064	6.6
4. Central Bank & Trust Co., Denver	258,260	5.7
5. American National Bank, Denver [4]	132,416	2.9
6. First National Bank of Colorado Springs [5]	103,261	2.3
7. First National Bank in Boulder [5]	70,316	1.6
8. First National Bank of Pueblo	65,462	1.4
9. First National Bank of Englewood [6]	61,341	1.4
10. First National Bank of Fort Collins [4]	60,331	1.3
TOTAL: 10 Largest Banks	2,180,541	48.2
11. Jefferson County Bank, Lakewood	59,325	1.3
12. Exchange National Bank, Colorado Springs [7]	59,318	1.3
13. Greeley National Bank [5]	48,193	1.1
14. First National Bank of Greeley [7]	47,704	1.1
15. Colorado State Bank of Denver	46,037	1.0
16. Colorado Springs National Bank [8]	44,059	0.9
17. Guaranty Bank & Trust Co., Denver	41,763	0.9
18. Pueblo Bank & Trust Co.	38,866	0.8
19. United Bank of Fort Collins, N.A. [2]	38,486	0.8
20. National State Bank of Boulder [7]	36,811	0.8
TOTAL: 20 Largest Banks	2,641,103	58.4
21. Continental National Bank, Englewood [4]	$ 35,662	0.8
22. Cherry Creek National Bank, Denver	35,614	0.8
23. North Denver Bank	33,468	0.7
24. First National Bank, Grand Junction	33,123	0.7
25. Mountain State Bank, Denver	32,165	0.7
TOTAL: 25 Largest Banks	2,811,135	62.2
TOTAL: STATE OF COLORADO	4,522,583	100.0

* Another proposed subsidiary of First National Bancorporation, Inc., Security State Bank of Sterling, ranks 40th among Colorado's 227 commercial banks with total assets of $19,477,000 (0.4% of Colorado assets).

[1] Subsidiary of First National Bancorporation, Inc.

[2] Subsidiary of United Banks of Colorado, Inc.

[3] Subsidiary of Colorado CNB Bankshares.

[4] Subsidiary of Western Bancorporation.

[5] Subsidiary of Affiliated Bankshares of Colorado, Inc.

[6] Subsidiary of First Colorado Bankshares, Inc.

[7] Proposed subsidiary of First National Bancorporation, Inc.

[8] Proposed subsidiary of United Banks of Colorado, Inc.

Source: Polk's *Bank Directory*, September, 1970.

Plaintiff's Exhibit 123

Total Deposits Held by the Twenty-Five Largest Banks in the State of Colorado, June 1970 *
(Dollar amounts in thousands)

	Deposits (Amount)	% of Colorado
1. First National Bank of Denver [1]	$ 468,021	12.3
2. United Bank of Denver, N. A.[2]	424,988	11.2
3. Colorado National Bank of Denver [3]	255,300	6.7
4. Central Bank & Trust Co., Denver	188,837	5.0
5. American National Bank, Denver [4]	116,919	3.1
6. First National Bank of Colorado Springs [5]	90,476	2.4
7. First National Bank in Boulder [5]	64,221	1.7
8. First National Bank of Pueblo	54,584	1.4
9. Exchange National Bank, Colorado Springs [7]	52,342	1.4
10. Jefferson County Bank, Lakewood	52,068	1.4
TOTAL: 10 Largest Banks	1,767,756	46.4
11. First National Bank of Englewood [6]	50,652	1.3
12. First National Bank of Fort Collins [4]	47,926	1.3
13. Colorado State Bank of Denver	40,961	1.1
14. Greeley National Bank [5]	39,279	1.0
15. First National Bank of Greeley [7]	39,237	1.0
16. Colorado Springs National Bank [8]	38,428	1.0
17. Guaranty Bank & Trust Co., Denver	36,259	1.0
18. Pueblo Bank & Trust Co.	33,765	0.9
19. United Bank of Fort Collins [2]	32,753	0.9
20. Cherry Creek National Bank, Denver	31,398	0.8
TOTAL: 20 Largest Banks	2,158,414	56.7
21. National State Bank of Boulder [7]	$ 31,012	0.8
22. Continental National Bank, Englewood [4]	31,005	0.8
23. First National Bank, Grand Junction	29,929	0.8
24. North Denver Bank	28,963	0.8
25. Mountain State Bank, Denver	28,326	0.7
TOTAL: 25 Largest Banks	2,307,649	60.6
TOTAL: STATE OF COLORADO	3,808,352	100.0

* Another proposed subsidiary of First National Bancorporation, Inc., Security State Bank of Sterling, ranks 40th among Colorado's 227 commercial banks with total deposits of $21,271,000 (0.6% of Colorado deposits).

[1] Subsidiary of First National Bancorporation, Inc.

[2] Subsidiary of United Banks of Colorado, Inc.

[3] Subsidiary of Colorado CNB Bankshares.

[4] Subsidiary of Western Bancorporation.

[5] Subsidiary of Affiliated Bankshares of Colorado, Inc.

[6] Subsidiary of First Colorado Bankshares, Inc.

[7] Proposed subsidiary of First National Bancorporation, Inc.

[8] Proposed subsidiary of United Banks of Colorado, Inc.

Source: Polk's *Bank Directory*, September, 1970.

Plaintiff's Exhibit 124

Total Loans and Discounts of the Twenty-Five Largest Banks in the State of Colorado, June 1960 *
(Dollar amounts in thousands)

	Loans and Discounts (Amount)	% of Colorado
1. First National Bank of Denver [1]	$ 340,809	13.4
2. United Bank of Denver, N.A.[2]	313,519	12.3
3. Colorado National Bank of Denver [3]	170,005	6.7
4. Central Bank & Trust Co., Denver	162,189	6.4
5. American National Bank, Denver [4]	71,878	2.8
6. First National Bank of Colorado Springs [5]	57,743	2.3
7. Jefferson County Bank, Lakewood	39,086	1.5
8. First National Bank of Fort Collins [4]	39,027	1.5
9. First National Bank in Boulder [5]	32,546	1.3
10. First National Bank of Pueblo	31,629	1.2
TOTAL: 10 Largest Banks	1,258,431	49.3
11. Exchange National Bank, Colorado Springs [7]	29,215	1.1
12. First National Bank of Greeley [7]	28,897	1.1
13. Greeley National Bank [5]	28,896	1.1
14. First National Bank of Englewood [6]	28,712	1.1
15. Colorado State Bank of Denver	25,471	1.0
16. Guaranty Bank & Trust Co., Denver	24,631	1.0
17. Colorado Springs National Bank [8]	24,132	0.9
18. North Denver Bank	22,909	0.9
19. First National Bank, Grand Junction	22,298	0.9
20. Continental National Bank, Englewood [4]	21,312	0.8
TOTAL: 20 Largest Banks	1,514,904	59.4
21. United Bank of Fort Collins, N.A.[2]	$ 20,658	0.8
22. United States Bank of Grand Junction	19,677	0.8
23. Cherry Creek National Bank, Denver	19,563	0.8
24. National State Bank of Boulder [7]	19,376	0.8
25. First National Bank of Glenwood Springs	19,303	0.7
TOTAL: 25 Largest Banks	1,613,481	63.3
TOTAL: STATE OF COLORADO	2,550,164	100.0

* Another proposed subsidiary of First National Bancorporation, Inc., Security State Bank of Sterling, ranks 32nd among Colorado's 227 commercial banks with total loans and discounts of $15,733,000 (0.6% of Colorado loans and discounts).

[1] Subsidiary of First National Bancorporation, Inc.
[2] Subsidiary of United Banks of Colorado, Inc.
[3] Subsidiary of Colorado CNB Bankshares.
[4] Subsidiary of Western Bancorporation.
[5] Subsidiary of Affiliated Bankshares of Colorado, Inc.
[6] Subsidiary of First Colorado Bankshares, Inc.
[7] Proposed subsidiary of First National Bancorporation, Inc.
[8] Proposed subsidiary of United Banks of Colorado, Inc.

Source: Polk's *Bank Directory*, September, 1970.

Plaintiff's Exhibit 125

Banks With Deposits of $20 Million or More Located Outside the City and County of Denver—June, 1970
(Dollar amounts in thousands)

	Total Deposits
First National Bank of Colorado Springs [1]	$90,476
First National Bank in Boulder [1]	64,221
First National Bank of Pueblo	54,584
Exchange National Bank, Colorado Springs [2]	52,342
Jefferson County Bank, Lakewood	52,068
First National Bank of Englewood [1]	50,652
First National Bank of Fort Collins [1]	47,926
Greeley National Bank [1]	39,279
First National Bank of Greeley [2]	39,237
Colorado Springs National Bank [2]	38,428
Pueblo Bank & Trust Co.	33,765
United Bank of Fort Collins [1]	32,753
National State Bank of Boulder [2]	31,012
Continental National Bank, Englewood [1]	31,005
First National Bank, Grand Junction	29,929
United States Bank, Grand Junction	25,859
First National Bank of Glenwood Springs	25,769
Central Colorado Bank, Colorado Springs [1]	25,322
United Bank of Greeley [1]	24,743
United Bank of Boulder [1]	23,490
First National Bank in Loveland [1]	23,179
First National Bank, Longmont	22,486
Minnequa Bank, Pueblo	21,965
Lakeside National Bank, Wheat Ridge [1]	21,819
Peoples Bank & Trust Co., Aurora	21,745
Security State Bank, Sterling [2]	21,271
First National Bank, Golden	20,205

[1] Multi-Bank Holding Company Subsidiary.

[2] Proposed Subsidiary of a Multi-Bank Holding Company.

Source: Polk's *Bank Directory*, September, 1970.

PLAINTIFF'S EXHIBIT 127

APPLICATION

To the Board of Governors of The Federal Reserve System

by

THE FIRST NATIONAL BANCORPORATION, INC.
(Name of Applicant)

621 SEVENTEENTH STREET,
DENVER, COLORADO 80202
(Address)

FOR PRIOR APPROVAL OF ACQUISITION OF BANK SHARES PURSUANT TO SECTION 3(a)(3) OF THE BANK HOLDING COMPANY ACT OF 1956, AS AMENDED

APPLICATION

FOR PRIOR APPROVAL OF ACQUISITION OF BANK SHARES PURSUANT TO SECTION 3(a)(3) OF THE BANK HOLDING COMPANY ACT OF 1965, AS AMENDED

THE FIRST NATIONAL BANCORPORATION, INC.
(Name of Applicant)

(hereinafter called the Applicant), a Corporation organized under the laws of Colorado, and having its principal place of business at Denver, Colorado, hereby applies to the Board of Governors of the Federal Reserve System (hereinafter called the Board), pursuant to section 3(a)(3) of the Bank Holding Company Act of 1956, as amended, for prior approval by the Board of the acquisition by the Applicant of direct or indirect ownership, control, or power to vote, of 80% or more of the voting shares of:

THE SECURITY STATE BANK OF STERLING
(Name of Bank)

129 SOUTH THIRD STREET,
STERLING, COLORADO 80751
(Address)

(hereinafter called the Bank of Sterling).

Table of Contents

For the purpose of obtaining the Board's prior approval of the acquisition of direct or indirect ownership, control, or power to vote of 80% or more of the voting shares of The Security State Bank of Sterling, Sterling, Colorado, the Applicant submits herewith as part of this application the following Exhibits prepared in accordance with the general information and instructions as required by Section 3(a)(3) of The Bank Holding Company Act of 1956, as amended.

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Exhibit B Description of Proposed Transaction	7
Exhibit C Financial History and Condition, Management, and Future Prospects of Applicant	13
Exhibit C-1 (A): Balance Sheet of Applicant as of December 31, 1969 and April 30, 1970 with Debit and Credit Adjustments Pertinent to the Acquisition of Sterling and the Resulting Pro-forma Balance Sheet	23
Exhibit C-1 (B): Balance Sheet of Applicant as of December 31, 1969 and April 30, 1970 together with Entries to Record the Acquisition of Sterling (subject of this application), The First National Bank of Greeley, The First National Bank of Pueblo (subjects of Y-2 applications previously filed with the Board of Governors of the Federal Reserve System), The Exchange National Bank of Colorado Springs and the Montbello State Bank of Denver (subject of additional applications to be filed)	24
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Exhibit G-2: Map Showing Location of all Banks and Nonbank Financial Institutions within Sterling's Primary Service Area 122

EXHIBIT

* Each of these Exhibits is contained in the separate folder marked "Exhibits."

The Applicant represents that the information contained in this application is true and complete to the best of its knowledge and belief.

Executed this 9th day of June, 1970.

THE FIRST NATIONAL BANCORPORATION, INC.
(Name of Applicant)

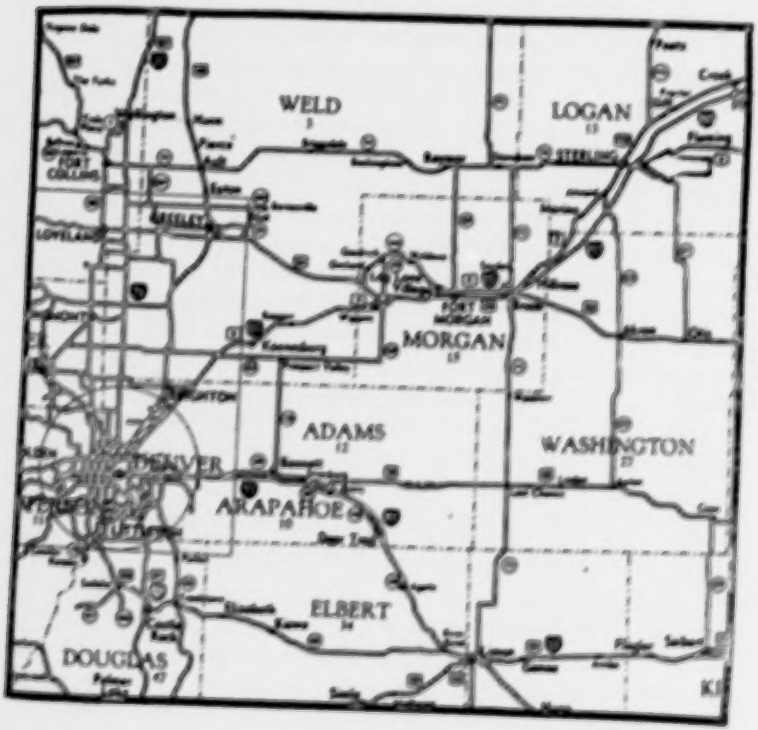
By Bruce Alexander
(*Authorized Officer*)

ATTEST:
Edward B. Close, Jr.
Secretary

Applicant feels a brief description of Sterling is necessary to put the response to the questions of Exhibit F into a more meaningful prospective.

Location

Sterling is the county seat of Logan County. It is situated in the northeast corner of Colorado on the bank of the South Platte River. At an elevation of 3,939 feet, Sterling is 125 road miles northeast of Denver and 143 road miles southwest of North Platte, Nebraska. It is the largest city between these two centers and serves as the trade center for the extensive farming and ranching operations in northeastern Colorado and southwestern Nebraska. Sterling lies in a wide valley which is a fertile, irrigated district suited to the production of a variety of crops.



History

Sterling is located in the South Platte Valley whose course has long been one of the natural channels of travel to the Rocky Mountains. Long used as a highway by Indians, it was first traversed by a white man in 1720 and became a major highway in 1859 when gold seekers rushed to the Rockies. In 1864 the Valley became the main line of the Overland Stage. In the late 1860's John Iliff established Colorado's first major cattle ranch in northeastern Colorado. There was no impetus for a city until the Union Pacific Railroad announced that company's intention to extend the line from Julesburg to LaSalle, Colorado. M. C. King, who had purchased a large part of the present Sterling site, surmised that this location would be a logical division point for the railroad between Omaha and Denver. He accordingly made the trip to Omaha to offer the donation of 80 acres (on the present right-of-way) for their shops, depot, etc. When the offer was accepted, Mr. King platted the first 19 blocks of the present town of Sterling in 1881. Sterling was incorporated in 1884 and became the county seat in 1887, the year Logan County was formed. Later, the Burlington Railroad added lines. Thus, Sterling was at first a railroad town, headquarters for sheep and cattlemen, and a trading center for fifty miles up and down the Valley. A town of 1,000 population in 1900, Sterling experienced rapid growth after the coming of the sugar factory in 1905. This was one of 15 factories that was built in Colorado between 1905 and 1911. An oil boom that brought an upsurge to the economy was enjoyed from the late forties to about 1955, after which the oil industry settled back to minimal development and the community again came to depend, for the most part, on agriculturally related industries.

There is a four-pronged agricultural economy in Logan County sustained jointly by cattle ranching, cattle feeding, irrigated cash crops and wheat. There is increasing development of corporate farming throughout the area and there has been a large increase in cattle feeding. The three largest feedlots, Lebsack Feed Yards, Inc., E. E. Sommenberg & Sons, Inc. and Seekler Feed Yards, Inc., fatten from 120,000 to 150,000 cattle per year. Two of these are cattle-

owner operated; one does custom feeding. The annual gross income from livestock in Logan County is over $40,000,000.

Education

The largest public school district in the county, RE-1 Valley, includes Sterling and other valley towns from Atwood to Crook. There are four other school districts in Logan County.

Sterling has six public elementary schools with an enrollment of 1,929 students; one public junior high with an enrollment of 809 students; and one public senior high school with an enrollment of 780 students. There is also a Catholic elementary school. Sterling High School is the only high school in the county accredited by the North Central Association of Colleges and Secondary Schools.

Northeastern Junior College, a public junior college in Sterling, was organized in 1941. In April 1964, it gained full accreditation as a junior college; its credits are recognized and accepted by four year colleges and universities. The college offers programs leading to the Associate in Arts degree, the Associate in Applied Science degree and the Northeastern Junior College Certificate. There is also opportunity for adults to develop and continue their education in technical, vocational, avocational and cultural areas. Northeastern Junior College has experienced a steady growth in student enrollment from 60 in 1941 to 1,547 in 1969. To keep pace with the growing enrollment, a vigorous building program has been necessary, resulting in a greatly expanded physical plant. Two outstanding additions, the Humanities and Arts Building and the Student Union, were completed in the spring of 1968 at an approximate cost of $2,250,000. These new facilities bring to 15 the number of buildings located on the 25-acre main campus. A North Campus containing 34 acres has been purchased for future expansion and development. Northeastern is also one of the largest employers in Logan County, employing approximately 147 people.

Medical Center

In recent years, Sterling has become the medical center for all northeastern Colorado. Facilities include the Logan County Hospital with a capacity of 136 patients and a medical staff of 18 doctors. At the present time there are more

Population (continued)

	Under 5		5 to 17		18 to 44		45 to 64		65 and over	
	1960	1968	1960	1968	1960	1968	1960	1968	1960	1968
U. S.	11.3%	9.3%	24.5%	26.2%	34.9%	36.6%	20.1%	20.4%	9.2%	9.6%
Colorado	11.9	9.1	25.1	27.1	35.7	36.4	18.2	18.7	9.0	8.7
Logan County	12.2	9.8	27.6	26.8	33.7	35.9	17.4	18.6	9.1	8.9

(Logan County figures are for 1969.)
Source: State Planning Office

Personal Income

Total Personal Income
(000's Omitted)

	Colorado		Logan County		Sterling	
	Income	% Inc.	Income	% Inc.	Income	% Inc.
1960	$4,039,000	72.6%	$42,797	43.8%	$26,501	60.1%
1969	6,971,314		61,542		42,428	

Person Income Per Capita
(000's Omitted)

	Colorado		Logan County		Sterling	
	Income	% Inc.	Income	% Inc.	Income	% Inc.
1960	$2,303	44.2%	$2,108	48.4%	$2,465	49.7%
1969	3,321		3,129		3,689	

Source: Editors and Publishers Market Guide—1969.

Personal income in Logan County and Sterling presents a dichotomous situation. Total personal income growth in Logan County and Sterling since 1960 has been 43.8% and 60.1% respectively against a state increase of 72.6%. However, when broken down to income per capita, Sterling shows a better growth performance than the state. The personal income of Sterling's residents increased $206 or 5.5% more per person than the personal income of all of the state's residents between the years 1960 and 1969. It would appear that the individual is achieving a better than average growth rate in personal income but because the population is dormant, the aggregate personal income does not grow as fast as that of the state.

Retail Sales
(000's Omitted)

	State	Logan County	Sterling	% Sterling of Logan County	% Logan County of Colorado
1961	$3,912,142	$33,863	$31,243	92.3%	.87%
1962	4,125,598	35,283	32,375	91.8	.86
1963	4,420,603	38,860	35,849	92.3	.88
1964	4,785,566	41,733	38,839	93.1	.87
1965	5,126,825	41,118	38,387	93.4	.80
1966	5,570,603	52,927	50,221	94.9	.95
1967	5,894,909	84,595	81,753	96.6	1.44
1968	6,599,980	99,421	96,433	97.0	1.51
1969	7,132,344	88,259	85,129	96.5	1.24

	Colorado		Logan County		Sterling	
	Retail Sales	% Inc.	Retail Sales	% Inc.	Retail Sales	% Inc.
1961	$3,912,142		$33,863		$33,021	
		82.3%		160.6%		172.5%
1969	7,132,344		88,259		85,129	

Source: Colorado State Department of Revenue.

Logan County and Sterling in particular serve as a retail trade center for some 70,000 to 80,000 people throughout northeastern Colorado. The growth of retail sales in Logan County and Sterling has been twice that experienced by the State of Colorado during the years 1961 through 1969. The greatest single increase in sales was registered between the years 1966 and 1967 and it is Applicant's feeling that a significant portion of this increase occurred as a result of

the establishment of Sterling Colorado Beef Company in 1966. Since 1966 the packing plant has grown to become the third largest employer in the county presently employing 240 people and adding some $1.5 to $2 million annually to the local payroll.

Employment

Employment in Logan County is primarily agriculturally oriented. Almost one-quarter of the work force in Logan County is employed in the agriculture area. All but two of the major employers in the county are engaged in enterprises related to agriculture either directly or indirectly.

	Non-Agricultural Workers	Agricultural Workers	% Total Work Force	Total Work Force
1960	5,496	1,629	22.9	7,125
1968	5,377 *	1,761	24.7	7,138 *

* The 7,138 employees shown as a gross total work force in the State Department of Employment statistics includes 1,761 agricultural workers. The difference between the non-agricultural total of 5,377 and the *County Business Patterns* total of 3,683 is self-employed, government workers and domestic workers.

Source: Colorado State Department of Employment.

Building Permits—Sterling

Building in Logan County is inconsistent. In 1963 and 1964 we see a significant surge, but preceding 1963 and after 1964 we see no real steady growth. In fact, since 1964 there has been a steady decline in the value of new construction within the county. The only upturn was in 1968. Business and residential construction costs have been itemized separately because they are a more accurate indicator of applicable activity than a total which includes public construction. Using these two sectors only, we still get an inconsistent picture with a steady decline since 1964, thus indicating an economy that is not growing and in fact may be declining.

	No. Issued	Total Cost	Business & Residential
1960	18	$ 505,000	$ 505,000
1961	112	520,722	407,987
1962	139	1,397,630	783,630
1963	136	2,599,165	739,165
1964	169	1,991,012	1,579,012
1965	97	869,410	753,410
1966	90	1,369,706	469,490
1967	71	1,371,408	312,408
1968	89	569,250	433,250

Financial Institutions

Banking History of Logan County

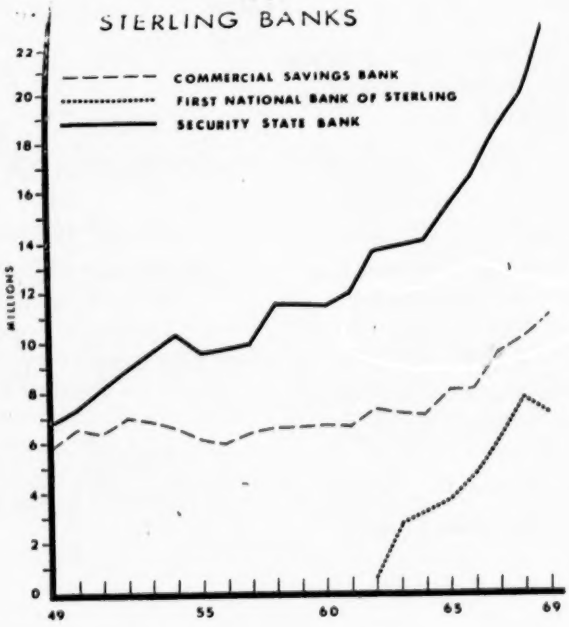
In 1892 the Logan County Bank was established, followed by The First National Bank of Sterling in 1900. By 1918 there were five banks in Sterling, including the Farmers National Bank which was established in 1909 and Commercial Savings Bank established in 1918. During the years immediately following the First World War, four of the five banks in Sterling closed; the only bank to stay open was the Commercial Savings Bank. In 1925 the Security Bank began its career in the building of the Logan County National Bank which had closed its doors one month before. In 1930 there were three banks in Sterling—the Commercial Savings Bank, Security Bank and State Bank of Sterling. In the rest of Logan County there were six banks bringing the total number of banks in Logan County to nine. In 1932 Security Bank purchased the resources of the State Bank of Sterling creating the Security State Bank and reduced the number of banks in Sterling to two. By 1940 there were four banks in Logan County: the Security State Bank and the Commercial Savings Bank in Sterling, the First National Bank in Fleming, Colorado, and the Iliff State Bank in Iliff, Colorado. In 1950 the total number of banks in Logan County decreased to three with the closing of the Iliff State Bank. In 1962 a new First National Bank of Sterling was established, bringing the present number of banks in Logan County to four.

1930	Deposits	Loans
Sterling:		
Commercial Savings Bank	$1,100,000	$ 806,000
Security Bank	378,000	318,000
State Bank of Sterling	404,000	259,000
Remainder of Logan County:		
First National Bank of Fleming	177,000	116,000
First National Bank of Peetz	140,000	99,000
First State Bank of Crook	120,000	88,000
Iliff State Bank	108,000	70,000
Merino State Bank	97,000	95,000
Proctor State Bank *		
No. of Banks—9 Total	$2,524,000	$1,851,000
1940		
Sterling:		
Commercial Savings Bank	$1,221,000	$ 551,000
Security State Bank	1,216,000	600,000
Remainder of Logan County:		
First National Bank of Fleming	191,000	137,000
Iliff State Bank	73,000	58,000
No. of Banks—4 Total	$2,701,000	$1,346,000
1950		
Sterling:		
Commercial Savings Bank	$6,549,000	$2,093,000
Security State Bank	7,300,000	2,200,000
Remainder of Logan County:		
First National Bank of Fleming	1,917,000	908,000
No. of Banks—3 Total	$15,766,000	$5,201,000
1960		
Sterling:		
Commercial Savings Bank	$ 6,729,000	$ 2,674,000
Security State Bank	11,366,000	5,891,000

* 1930—*Polk's Bank Directory* did not provide figures.

Remainder of Logan County:		
First National Bank of Fleming	2,633,000	1,608,000
No. of Banks—3 Total	$20,728,000	$10,173,000
1969		
Sterling:		
Commercial Savings Bank	$11,027,000	$ 7,808,000
First National Bank of Sterling	7,173,000	5,678,000
Security State Bank	22,706,000	15,671,000
Remainder of Logan County:		
First National Bank of Fleming	1,720,000	751,000
No. of Banks—4 Total	$42,626,000	$29,908,000

Source: Polk's Bank Directory.


STERLING BANKS
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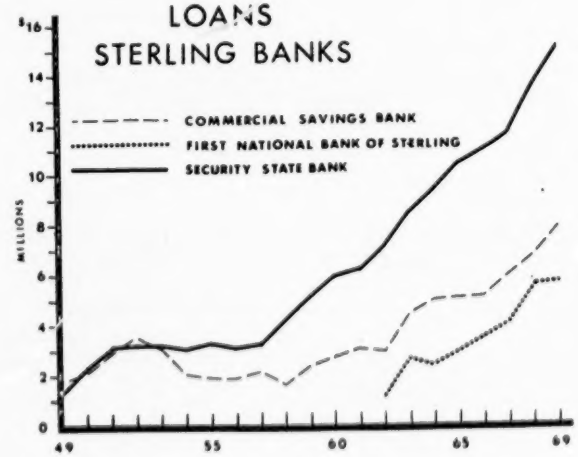
LOANS
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COMMERCIAL SAVINGS BANK
FIRST NATIONAL BANK OF STERLING
SECURITY STATE BANK
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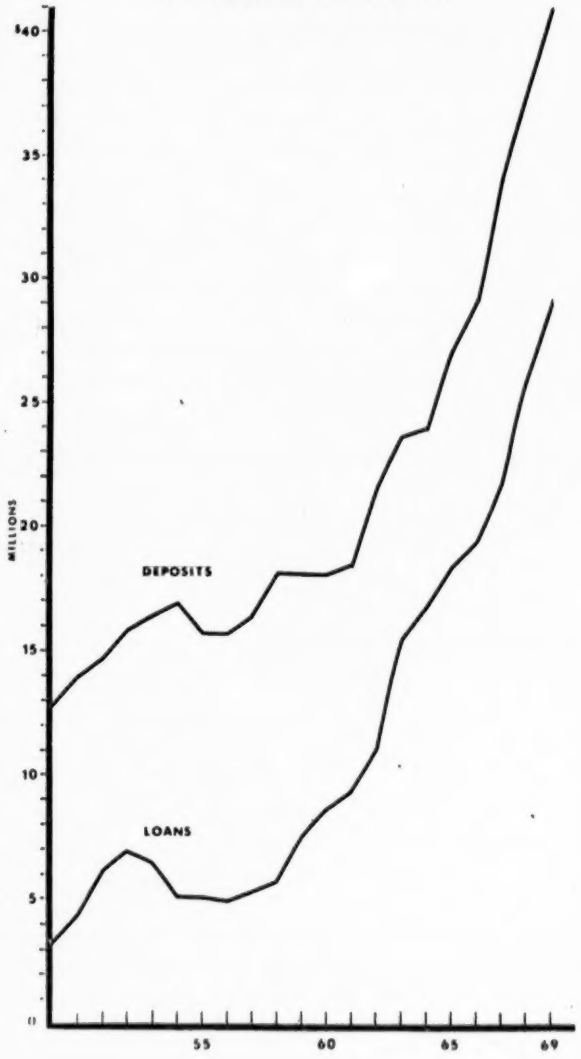
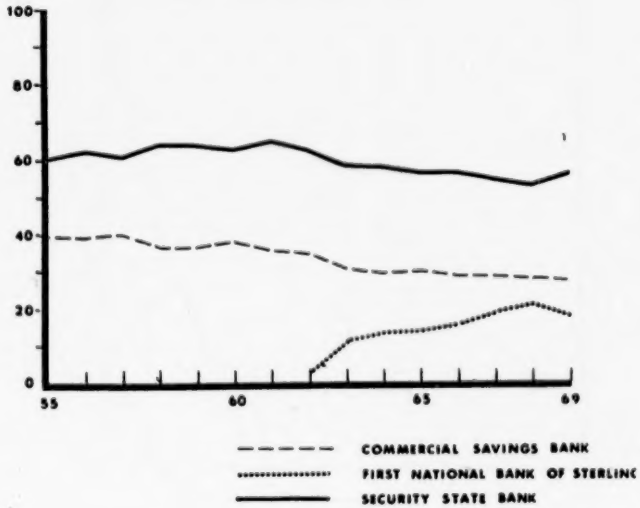
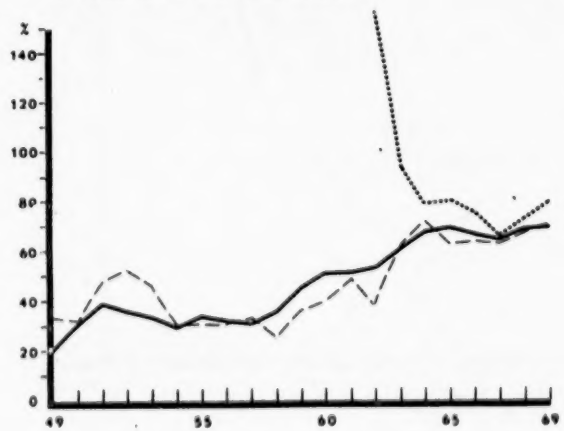
TOTAL LOANS & DEPOSITS
ALL STERLING BANKS



% OF DEPOSITS HELD



% LOANS TO DEPOSITS



TOTAL BANK DEPOSITS AND LOANS
OF STERLING BANKS
(000's Omitted)

	Deposits	Loans
1949	$12,814	$ 3,213
1950	13,849	4,293
1951	14,601	6,107
1952	15,867	6,842
1953	16,475	6,394
1954	16,860	5,066
1955	15,759	5,160
1956	15,728	4,856
1957	16,344	5,255
1958	18,153	5,760
1959	18,104	7,511
1960	18,045	8,565
1961	18,350	9,224
1962	21,515	11,012
1963	23,661	15,406
1964	23,985	16,775
1965	27,009	18,402
1966	29,061	19,415
1967	34,098	21,612
1968	37,697	25,906
1969	40,906	29,157

Source: Polk's World Bank Directory.

Agriculture

The economy of Sterling and Logan County is primarily agricultural, sustained jointly by cattle feeding and beef processing, diversified irrigation farming, and dryland wheat farming.

Farming has always been difficult in this semi-arid region. Drought and flood, hail storms, grasshoppers, wind and blizzards have discouraged many farmers. Logan County is one of the highest risk areas in the United States in relation to hail incidence. Hail accounts for a yearly loss in Logan County of $3 to $6 million. In 1967, two-thirds of the wheat was lost to hail, and corn production was reduced from an estimated 85 bushels per acre to the actual 67.5 bushel yield. Added to this hazard is the problem of un-

predictable variations in precipitation. If annual precipitation is above 20 inches (humid), most food crops can be grown with only natural rain and snowfall; if between 15 and 20 inches (sub-humid), many crops can be grown most years without irrigation; *if precipitation is between 10 and 15 inches (semi-arid), some grains and pasturage can be grown without irrigation but no dependable agriculture can be carried on without it*, under 10 inches (arid) demands artificial application of water for cultivation of anything of food value. Average rainfall in Sterling is 13.42 inches; the range is from less than 8 inches to more than 20 inches. The farmer has tried to adapt these conditions with an irrigation system of ditches, reservoirs, and expensive mobile sprinklers, as well as a tillage program of summer- fallowing on non-irrigated land.

A stable agriculture economy on the plains depends upon flexibility and diversification, which is the ability to shift between various crops and livestock or their combinations. The sequence from open range cattle raising to stock farming in Logan County started in the early 1880's when cattlemen began selling out to large eastern and European syndicates. A great influx of homesteaders (1886-88) and two winters of bad blizzards in which thousands of cattle were lost, put an end to the open range. The drouth and depression of the 1890's caused most of the homesteaders to leave. Those who stayed discovered that they could raise feed crops to supplement the range pasture, thus providing the basis for small cattle farms. This soon grew into cattle-fattening operations on a large scale. Future agricultural stability will continue to depend upon flexibility and diversification but will also require a great deal more money as agriculture progresses from the labor-intensive stage of the past to the capital-intensive method of future operation.

Cattle Feeding

With the development of commercial feedlots and the expansion of feeding programs by the successful farmer-feeders, northeastern Colorado has become one of the nation's most important feeding areas.

Colorado ranks seventh nationally and Logan County ranks among the top three counties in the state in number of cattle on feed. There were one-half million cattle on feed in northeastern Colorado in 1969. These feedlot operations

Number on Feed
(000's Omitted)

	United States	Colorado	Northeastern Colorado	Colorado % of U.S.	Northeastern % of U.S.
1965	9,849	534	384.2	5.4%	3.9%
1966	10,597	569	440.2	5.4	4.2
1967	10,755	609	472.9	5.7	4.4
1968	11,893	628	483.4	5.3	4.1
1969	12,640	711	513.8	5.6	4.1
Increase:	28.3%	33.1%	33.7%		

Source: Colorado Cattleman's Handbook, August 1969.

support much of the agricultural activity of the county. Many farmers and ranchers in the area raise feed and feeder cattle and sell to the feedlots. Also, the beef processing plant depends upon the output of the feedlots for their business. Agriculture and cattle feeding present several extremely difficult financing problems which will be discussed in detail in a subsequent section.

Beef Processing

As several cattle feeding operations expanded in Logan County and far greater numbers of cattle were being marketed, the large feeders concluded that they could no longer depend entirely upon buyers from a few packing companies for the sale of their fat cattle. As early as 1962, investigations, negotiations and planning were underway to determine the possibilities of having a packing plant located in Sterling. It was concluded that such an operation would require a great deal of initial capital plus a considerable amount of money as a financial reserve to provide working capital while the operation got off the ground. The early negotiations involved two of the area's largest cattle feeders, Ed Sonnenberg and the late Bill Seckler together with Ted Brown, then President of Security State Bank, E. Y. Lingle and Garland Wilson of Seitz Packing Company of St. Joseph, Missouri, plus two fringe area feeders, Tom Cooper and Gerald McGinley. These men became the charter members of the Sterling Colorado Beef Company which finally began operations in April 1966.

The intention of the founders was to build a facility capable of processing 400 cattle per day. By September 1966, it became obvious that the 400 per day capacity was

not going to be adequate for the expanding feeding operations of the stockholders. With a few minor changes on the killing floor and the addition of a few people, the kill capacity was increased to 700 head per day.

By 1967 most of the area feeders were eager to use the facilities. Because of this and the constant overtime hours that were already being worked, it was decided to make additions that would double the kill capacity. This program was completed in January 1970. It is the present opinion of the directors that a 1,400 head per day kill is quite an efficient unit and will most likely remain so.

The trend of the industry for the past year and a half is to expand into breaking and prefabbing carcasses at the plant level. This phase of the beef business requires several million dollars for buildings, equipment and operations. Packers who have made the change to this totally integrated operation are being watched very closely.

If it becomes obvious that this is the course to pursue in order to stay abreast of the industry, every effort will be made to secure the necessary financing. Plans for this possible expansion are already completed. Knowledgeable personnel are available as is the raw material. The only unknowns at this time are the practicability of fabricating and the availability of money for the project. It would appear that this business, up to now at least, is a successful venture.

From the above discussion it is evident that there is a great deal of vertical integration taking place in cattle feeding operations, and for this industry to remain competitive, the integration of the packing plant with cattle feeding operations is essential.

In addition to the marketing stability the packing plant has brought to the cattle feeders, it has also been a major addition to the industrial productivity of Sterling. The following statistics show the impact that this plant has had on employment, payroll, taxes paid, and new residents added to the community: (Table next page)

Diversified Irrigation Farming and Dryland Wheat Farming

Farming in Logan County is divided into two sectors, irrigated farming and dryland farming. Irrigated crops include corn, sugar beets, alfalfa, beans, barley, oats and other small grains. Dryland crops are wheat, milo, millet,

	Head Killed	No. People	Payroll	Sales	Taxes	Capital Improv.	Sterling Non-Res.
1966-67	122,431	121	$ 724,458	$ 31,605,362	$ 64,669	$1,405,671	36
1967-68	185,360	130	1,134,386	51,442,267	85,283	156,761	11
1968-69	197,041	130	1,374,843	57,959,299	101,532	666,434	9
1969-70	191,887	240	1,661,050	62,864,336	120,910	1,461,662	42
Projection:							
1970-71	350,000	240	2,187,500	115,500,000	198,000	100,000	15

ACRES

	Total Acres Planted in County	Wheat	% of Total	Barley	Sorghums for Grain	Sugar Beets	Corn Grain & Silage	All Other
1960	407,465	154,680	38.0%	33,930	14,280	N/A	36,840	167,735
1961		152,800		22,760	9,080	N/A	30,810	
1962		137,080		30,600	9,800	14,675	30,000	
1963		159,110		24,500	11,200	14,150	30,000	
1964	406,556	166,270	40.9	12,500	9,000	13,800	33,000	171,986
1965		157,750		6,700	18,500	9,100	34,600	
1966		162,750		4,500	8,280	8,340	33,100	
1967		181,940		3,250	5,100	8,740	39,500	
1968	501,118	185,400	37.0	5,600	6,000	12,180	35,300	256,638

N/A—Information not available.

Source: Agricultural Statistics-Colorado Tax Commission.

corn, grasses and varieties of cane-type feed. Dryland wheat accounts for the largest planted acreage with milo second. Of Colorado's 63 counties, Logan County ranked third in all-crop value in 1968. (See Table —*Dollar Value of Crops*)

It should be noted that there were 30,720 more acres of wheat being planted in Logan County in 1968 than there were in 1960 but the total crop value of wheat in 1968 was $3½ million less than it was in 1960. (see table p. 1180.)

Although the number of acres of wheat planted in 1968 was in the same approximate proportion to total acres of crops planted in 1960, the total value of wheat relative to the total crop value of the county did not maintain the same proportion. In 1961, 45.6% of the total value of crops in the county came from wheat, but in 1968 wheat accounted for only 21.3% of the total crop value.

In the United States the per capita consumption of wheat has been declining since the turn of the century. In the last decade the price per bushel has decreased drastically. Alternative uses are limited and part of the wheat produced recently in Logan County is fed to the cattle and much of it is stored.

Business Development

Applicant believes the Sterling area has the capacity to develop a growth pattern which could parallel that of other communities up and down the eastern slope of the Rockies. This is due principally to its regional location on the interstate highway system and railroad and its prominence as the center of the Denver-Julesburg Basin, as well as the main community in a vast agricultural and livestock region.

Plaintiff's Exhibit 128

Brown Deposition

The following excerpts are offered in evidence by plaintiff from the deposition of Theodore D. Brown, Executive Vice President of The First National Bank of Denver, and director of defendant First National Bancorporation, Inc., taken by plaintiff November 23, 1970. Each excerpt is preceded by a reference to the page and lines of the transcript from which it is taken. Questions are by government counsel unless otherwise noted.

(p. 2 line 7—p. 3 line 6)

Q. (By Mr. Lipkowitz) Would you state your name for the record.

A. Theodore D. Brown.

Q. And your address, please?

A. 6300 Greenbriar Drive, Englewood, Colorado.

Q. Would you describe your employment since law school.

A. Finished law school in June of 1948 and went to work for the International Trust Company in July of 1948. Left that institution in December of 1951, went to the Security State Bank of Sterling in January of 1952, and left that institution in January off 1970 to become Executive Vice President of First National Bank of Denver.

Q. Do you also have a role within the First National Bancorporation?

A. I am a director and member of the Executive Committee of the Bancorporation.

Q. Do you have a role in the acquisition policy of the First National Bancorporation?

A. No more so than any other director or member of the Executive Committee.

Q. When you were with the Security State Bank in Sterling, what was your role there?

A. Well, I was the Vice President and Trust Officer when I went to Sterling. In 1962, I believe was the date, I became Executive Vice President of that bank, and then subsequently became President of that bank.

(p. 4 line 4—p. 5 line 11)

Q. Would it be fair to state that your family controls the Security State Bank?

A. Well, I don't know how you are using "control." My wife and I do not own more than 50 per cent of the Bank of Sterling. Let me also state that her sister, my wife's sister, and her husband together own a little more than 40 per cent of the Security State Bank of Sterling, which is the same percentage of stock that my wife and I own.

Q. I see. Do you know of any other acquisitions of banks in Sterling that are pending at this point?

A. Well, only the one that was publicly announced about a week ago. The Colorado National Bancorporation, I believe, announced plans to acquire the First National Bank of Sterling.

Q. Do you anticipate that any of the acquisitions in Sterling will lead to any change in the correspondent relationships between Sterling banks and Denver banks, to the best of your knowledge?

A. Well, in the event that the Security State Bank acquisition is approved and goes through, I would anticipate no changes in that situation. It would be speculation, I guess, for me to try to guess what might happen with First National of Sterling. We do have a small correspondent account with them. Whether the new owners will see fit to continue it or not, I am not in any real position to say.

Q. "We" being the First National Bank of Denver?

A. "We" being the First National Bank of Denver.

Q. Do you happen to know who the major correspondent of the First National Bank of Sterling is, in Denver?

A. Well, I have been told it is the United Bank of Denver, but that is hearsay as far as I'm concerned.

Q. Who is the major correspondent in Denver of the Security State Bank of Sterling?

A. First National Bank of Denver.

(p. 5 line 22—p. 6 line 21)

Q. Was discussion of this acquisition in any way related to your change of job in coming to the First National Bank of Denver?

A. Nor originally, because it came up before the subject of my coming back to Denver ever arose. Our relationship between the First of Denver and the Security State Bank is a very old one. The correspondent relationship goes back to the late twenties. The bank in Sterling was founded in '25, and I don't have the exact date that they opened the account in Denver, but it would have been between '25 and 1930. So we felt very close to them for all of those years.

Q. Could you describe the reasons why you recommended the sale of Security State Bank of Sterling to First National Bancorporation?

A. Yes. As a matter of personal philosophy, I suppose, it has been my conviction for some years that agriculturally oriented banks in rural communities are going to have a very difficult time growing and surviving to meet the needs of their customers, without access to more capital, without dependable access to a source of lendable funds.

I preached this doctrine for about three years as Chairman of the American Bankers Association Agricultural Committee, and I just happen to feel it quite strongly, and I felt it strongly in our own case in Sterling, and this was a primary matter of concern to me.

(*p. 16 line 18—p. 17 line 6*)

Q. Is there any room for a country bank, under the difficulties that you have described?

A. Yes, there are areas which country banks are serving, which have not experienced the rate of growth that the northern Colorado trade area has experienced. Not all country banks have the same problems, by any means. We happen to be in a growth area because—largely because of the emphasis upon cattle feeding in the area.

Q. Where does the cattle feeding in that area take place?

A. Well, by numbers, it is located within probably a ten-mile radius of Sterling itself.

Q. You have feeding operations in Sterling?

A. Yes.

(*p. 17 line 25—p. 18 line 9*)

Q. (By Mr. Lipkowitz) As an owner, directly or indirectly, of a bank in Yuma, have you given any consideration to what would become of that bank, in light of your concern with the difficulties of attracting people to the bank in Sterling?

A. Well, that is a good example of what I meant when I said not all country banks have the same problems. Up until now, the Yuma bank has not experienced the problems handling the growth of the customers, that the Sterling bank experienced, and that is due largely to the different nature of the agricultural production in the two areas.

(*p. 21 line 10—p. 21 line 18*)

Q. (By Mr. Metzger) At one point during your examination, Mr. Brown, you used the term "growth area" referring to Sterling, and in another you used the term "growth of customers," relating to Sterling. Could you explain what you meant by "growth" in that context?

A. Yes. I wouldn't classify Sterling as a growth area in terms of population. I don't think the census would support that observation. I had in mind the growth of the size of our borrowing customers and their demands for credit.

TOTAL ASSETS OF COMMERCIAL BANKS IN THE
CITY OF STERLING AND LOGAN COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1970			June 1969			June 1968			
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County	Am
mercial Savings Bank of Sterling	$12,521	28.0	27.0	$10,956	26.0	24.9	$10,295	26.5	25.2	$
rst National Bank of Sterling (established 11/16/62)	7,857	17.6	16.9	9,387	22.3	21.3	7,825	20.1	19.1	
curity State Bank of Sterling	24,278	54.4	52.3	21,808	51.7	49.5	20,725	53.4	50.6	1
TOTAL: CITY OF STERLING	44,656	100.0	96.2	42,151	100.0	95.7	38,845	100.0	94.9	3
rst National Bank of Fleming	1,750	-	3.8	1,914	-	4.3	2,083	-	5.1	
TOTAL: LOGAN COUNTY	46,406	-	100.0	44,065	-	100.0	40,928	-	100.0	3

	June 1966			June 1965			June 1964			
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County	Am
mercial Savings Bank of Sterling	$ 8,409	27.8	25.6	$ 7,848	27.7	25.4	$ 8,279	29.3	26.7	$
rst National Bank of Sterling (established 11/16/62)	5,284	17.5	16.1	4,654	16.4	15.0	4,497	15.9	14.5	
curity State Bank of Sterling	16,527	54.7	50.4	15,856	55.9	51.3	15,447	54.7	49.7	1
TOTAL: CITY OF STERLING	30,220	100.0	92.2	28,358	100.0	91.7	28,223	100.0	90.0	2
st National Bank of Fleming	2,566	-	7.8	2,578	-	8.3	2,833	-	9.1	
TOTAL: LOGAN COUNTY	32,786	-	100.0	30,936	-	100.0	31,056	-	100.0	2

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TOTAL ASSETS OF COMMERCIAL BANKS IN THE
CITY OF STERLING AND LOGAN COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1970			June 1969			June 1968			June 1967		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
rling	$12,521	28.0	27.0	$10,956	26.0	24.9	$10,295	26.5	25.2	$ 9,835	28.1	26.3
	7,857	17.6	16.9	9,387	22.3	21.3	7,825	20.1	19.1	6,908	19.7	18.5
	24,278	54.4	52.3	21,808	51.7	49.5	20,725	53.4	50.6	18,263	52.2	48.9
	44,656	100.0	96.2	42,151	100.0	95.7	38,845	100.0	94.9	35,006	100.0	93.6
	1,750	-	3.8	1,914	-	4.3	2,083	-	5.1	2,376	-	6.4
	46,406	-	100.0	44,065	-	100.0	40,928	-	100.0	37,382	-	100.0

	June 1966			June 1965			June 1964			June 1963		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
ling	$ 8,409	27.8	25.6	$ 7,848	27.7	25.4	$ 8,279	29.3	26.7	$ 7,841	31.1	27.9
	5,284	17.5	16.1	4,654	16.4	15.0	4,497	15.9	14.5	3,109	12.3	11.0
	16,527	54.7	50.4	15,856	55.9	51.3	15,447	54.7	49.7	14,270	56.6	50.7
	30,220	100.0	92.2	28,358	100.0	91.7	28,223	100.0	90.0	25,220	100.0	89.6
	2,566	-	7.8	2,578	-	8.3	2,833	-	9.1	2,920	-	10.4
	32,786	-	100.0	30,936	-	100.0	31,056	-	100.0	28,140	-	100.0

TOTAL ASSETS OF COMMERCIAL BANKS IN THE
CITY OF STERLING AND LOGAN COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1962			June 1961			
	Amount	% of City	% of County	Amount	% of City	% of County	Amou
Commercial Savings Bank of Sterling	$ 8,065	38.6	33.7	$ 7,391	38.0	33.0	$ 7,1
First National Bank of Sterling (established (11/16/62)	-	-	-	-	-	-	-
Security State Bank of Sterling	12,824	61.4	53.6	12,050	62.0	53.9	11,1
TOTAL: CITY OF STERLING	20,889	100.0	87.3	19,441	100.0	86.9	18,2
First National Bank of Fleming	3,056	-	12.8	2,928	-	13.1	3,0
TOTAL: LOGAN COUNTY	23,945	-	100.0	22,369	-	100.0	21,3

SOURCE: Polk's Bank Directory, September issue, various years.

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TOTAL ASSETS OF COMMERCIAL BANKS IN THE
CITY OF STERLING AND LOGAN COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1962			June 1961			June 1960		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
mercial Savings Bank of Sterling	$ 8,065	38.6	33.7	$ 7,391	38.0	33.0	$ 7,130	39.0	33.5
st National Bank of Sterling (established (11/16/62)	-	-	-	-	-	-	-	-	-
urity State Bank of Sterling	12,824	61.4	53.6	12,050	62.0	53.9	11,163	61.0	52.4
TOTAL: CITY OF STERLING	20,889	100.0	87.3	19,441	100.0	86.9	18,293	100.0	85.8
st National Bank of Fleming	3,056	-	12.8	2,928	-	13.1	3,021	-	14.2
TOTAL: LOGAN COUNTY	23,945	-	100.0	22,369	-	100.0	21,314	-	100.0

RCE: Polk's Bank Directory, September issue, various years.

TOTAL DEPOSITS OF COMMERCIAL BANKS IN THE CITY OF STERLING AND LOGAN COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1970			June 1969			June 1968			June 1967		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
Commercial Savings Bank of Sterling	$10,751	27.8	26.7	$ 9,871	26.2	25.1	$ 9,305	26.6	25.3	$ 8,888	28.4	26.6
First National Bank of Sterling (established 11/16/62)	6,637	17.2	16.5	8,196	21.7	20.8	6,617	19.0	18.0	5,748	18.4	17.2
Security State Bank of Sterling	21,271	55.0	52.8	19,641	52.1	49.9	18,995	54.4	51.7	16,648	53.2	49.8
TOTAL: CITY OF STERLING	38,659	100.0	96.0	37,708	100.0	95.8	34,917	100.0	95.0	31,284	100.0	93.5
First National Bank of Fleming	1,608	-	4.0	1,649	-	4.2	1,856	-	5.0	2,169	-	6.5
TOTAL: LOGAN COUNTY	40,627	-	100.0	39,357	-	100.0	36,773	-	100.0	33,453	-	100.0

	June 1966			June 1965			June 1964			June 1963		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
Commercial Savings Bank of Sterling	$ 7,472	28.0	25.8	$ 6,932	27.8	25.4	$17,548	30.2	27.4	$ 7,088	46.8	39.8
First National Bank of Sterling established 11/16/62)	4,167	15.6	14.4	3,552	14.3	13.0	3,392	13.6	12.3	698	4.6	3.9
Security State Bank of Sterling	15,013	56.3	51.9	14,431	57.9	53.0	14,090	56.3	51.1	7,367	48.6	41.4
TOTAL: CITY OF STERLING	26,652	100.0	92.1	24,915	100.0	91.5	25,030	100.0	90.8	15,153	100.0	85.2
First National Bank of Fleming	2,275	-	7.9	2,326	-	8.5	2,531	-	9.2	2,641	-	14.8
TOTAL: LOGAN COUNTY	28,927	-	100.0	27,241	-	100.0	27,561	-	100.0	17,794	-	100.0

TOTAL DEPOSITS OF COMMERCIAL BANKS IN THE
CITY OF STERLING AND LOGAN COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1962			June 1961			June 1960		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
Commercial Savings Bank of Sterling	$ 7,351	38.6	33.7	6,700	38.0	32.9	6,448	38.7	33.2
First National Bank of Sterling (established 11/16/62)	-	-	-	-	-	-	-	-	-
Security State Bank of Sterling	11,698	61.4	53.6	10,954	62.1	53.9	10,213	61.3	52.6
TOTAL: CITY OF STERLING	19,049	100.0	87.3	17,654	100.0	86.8	16,661	100.0	85.8
First National Bank of Fleming	2,780	-	12.7	2,681	-	13.2	2,748	-	14.2
TOTAL: LOGAN COUNTY	21,829	-	100.0	20,335	-	100.0	19,409	-	100.0

SOURCE: Polk's Bank Directory, September issue, various years.

TOTAL LOANS AND DISCOUNTS OF COMMERCIAL BANKS IN THE CITY OF STERLING AND LOGAN COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1970			June 1969			June 1968			June 1967		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
Commercial Savings Bank of Sterling	$ 8,450	29.5	28.9	$ 7,029	26.1	25.2	$ 6,315	27.4	26.0	$ 5,661	29.0	26.8
First National Bank of Sterling (established 11/16/62)	4,479	15.6	15.3	5,194	19.3	18.6	4,585	19.9	18.8	3,570	18.3	16.9
Security State Bank of Sterling	15,733	54.9	53.6	14,696	54.6	52.7	12,120	52.6	49.8	10,262	52.6	48.7
TOTAL: CITY OF STERLING	28,662	100.0	97.7	26,919	100.0	96.5	23,020	100.0	94.6	19,493	100.0	92.4
First National Bank of Fleming	679	-	2.3	970	-	3.5	1,310	-	5.4	1,598	-	7.6
TOTAL: LOGAN COUNTY	29,341	-	100.0	27,889	-	100.0	24,330	-	100.0	21,091	-	100.0

	June 1966			June 1965			June 1964			June 1963		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
Commercial Savings Bank of Sterling	$ 4,882	25.9	23.7	$ 5,036	29.2	26.7	$ 5,126	30.3	27.2	$ 3,230	23.8	21.1
First National Bank of Sterling (established 11/16/62)	3,211	17.0	15.6	2,888	16.8	15.3	2,706	16.0	14.3	2,031	15.0	13.3
Security State Bank of Sterling	10,779	57.1	52.4	9,308	54.0	49.3	9,090	53.7	48.2	8,290	61.2	54.1
TOTAL: CITY OF STERLING	18,872	100.0	91.7	17,232	100.0	91.2	16,922	100.0	89.7	13,551	100.0	88.5
First National Bank of Fleming	1,713	-	8.3	1,653	-	8.8	1,938	-	10.3	1,761	-	11.5
TOTAL: LOGAN COUNTY	20,585	-	100.0	18,885	-	100.0	18,860	-	100.0	15,312	-	100.0

TOTAL LOANS AND DISCOUNTS OF COMMERCIAL BANKS IN THE CITY OF STERLING AND LOGAN COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1962			June 1961			June 1960		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
Commercial Savings Bank of Sterling	$ 3,670	34.7	29.5	$ 3,288	35.0	29.6	$ 2,162	28.9	23.5
First National Bank of Sterling (established 11/16/62)	-	-	-	-	-	-	-	-	-
Security State Bank of Sterling	6,893	65.3	55.5	6,105	65.0	54.9	5,329	71.1	58.0
TOTAL: CITY OF STERLING	10,563	100.0	85.0	9,393	100.0	84.5	7,491	100.0	81.6
First National Bank of Fleming	1,867	-	15.0	1,725	-	15.5	1,694	-	18.4
TOTAL: LOGAN COUNTY	12,430	-	100.0	11,118	-	100.0	9,185	-	100.0

SOURCE: Polk's Bank Directory, September issue, various years.

Plaintiff's Exhibit 132

Gross Sales, 1960-1970
Logan County and City of Sterling

	Logan County			City of Sterling		
Fiscal Year	Gross Sales (in millions)	% Yearly Increase	% Increase Since 1960	Gross Sales (in millions)	% Yearly Increase	% Increase Since 1961
1960	$ 44.7	—	—	NA	—	—
1961	41.7	6.7	(6.7)	$ 38.8	—	—
1962	40.8	(2.2)	(8.7)	37.8	(2.6)	(2.6)
1963	44.3	8.6	(.9)	41.0	8.5	5.7
1964	49.4	11.5	10.5	45.9	12.0	18.3
1965	47.8	(3.2)	6.9	44.2	(3.7)	13.9
1966	47.9	.2	7.2	44.7	1.1	15.2
1967	82.4	72.0	84.3	78.1	74.7	101.3
1968	103.7	25.8	132.0	98.7	26.4	154.4
1969	128.2	23.6	186.8	120.9	22.5	211.6
1970	135.8	5.9	203.8	127.1	5.1	227.6

Source: Department of Revenue, State of Colorado, Research and Statistics Section.

Plaintiff's Exhibit 133

Retail Sales, 1960-1970
Logan County and City of Sterling

	Logan County			City of Sterling		
Fiscal Year	Retail Sales (in millions)	% Yearly Increase	% Increase Since 1960	Retail Sales (in millions)	% Yearly Increase	% Increase Since 1961
1960	$37.5	—	—	NA	—	—
1961	33.9	(9.6)	(9.6)	$31.3	—	—
1962	34.1	.6	(9.1)	31.4	.3	.3
1963	37.2	9.1	(.8)	34.3	9.2	9.6
1964	40.7	9.4	8.5	37.7	9.9	20.4
1965	42.3	3.9	12.8	39.4	4.5	22.7
1966	40.5	(4.3)	8.0	37.9	(3.8)	21.1
1967	72.7	79.5	93.9	69.6	84.4	123.3
1968	87.8	20.8	134.1	85.2	21.9	172.2
1969	99.9	13.8	166.4	96.7	13.5	208.9
1970	99.9	—	166.4	96.8	.1	209.3

Source: Department of Revenue, State of Colorado, Research and Statistics Section.

Plaintiff's Exhibit 134

City of Sterling
Water Meters in Service at Year End, 1960-1970

Year	Number of Meters	% Yearly Increase	% Incre Since 19
1960	3,207	—	—
1961	3,226	0.6	0.6
1962	3,235	0.3	0.8
1963	3,264	0.9	1.8
1964	3,357	2.8	4.7
1965	3,397	1.2	5.9
1966	3,423	0.8	6.7
1967	3,443	0.6	7.4
1968	3,448	0.1	7.5
1969	3,471	0.7	8.2
1970	3,496	0.7	9.0

Source: Mr. Irvin Christner, Director of Finance, City of Sterling.

Plaintiff's Exhibit 135

City of Sterling [1]
Gas Customers and Sales, 1960-1970

Year	Number of Customers at Year End	% Yearly Increase	% Increase Since 1960	Yearly Sales (In MCF) *	% Yearly Increase	% Incr Sin 19
1960	3,921	—	—	774,163	—	—
1961	3,979	1.5	1.5	805,664	4.1	4
1962	4,074	2.4	3.9	807,927	0.3	4
1963	4,127	1.3	5.3	818,416	1.3	5
1964	4,218	2.2	7.6	942,274	15.1	21
1965	4,288	1.7	9.4	955,085	1.4	23
1966	4,298	0.2	9.6	1,058,819	10.9	36
1967	4,360	1.4	11.2	1,051,238	(0.8)	35
1968	4,387	0.6	11.8	1,096,342	4.3	41
1969	4,443	1.3	13.3	1,110,771	1.3	43
1970	4,549	2.4	16.0	1,234,277	11.1	59

* MCF = thousand cubic feet.
[1] Data given is for the City of Sterling and the immediately surrounding a

Source: Iowa Electric Light & Power Company, Sterling, Colorado.

Plaintiff's Exhibit 136

City of Sterling
Postal Receipts, 1960-1970

Year	Postal Receipts	% Year Increase	% Increase Since 1960
1960	$195,703	—	—
1961	186,577	(4.7)	(4.7)
1962	179,559	(3.8)	(8.3)
1963	216,483	20.6	10.6
1964	223,259	3.1	14.1
1965	223,311	*	14.1
1966	240,367	7.6	22.8
1967	231,259	(3.8)	18.2
1968	286,091	23.7	46.2
1969	281,778	(1.5)	44.0
1970	287,426	2.0	46.9

* Less than 0.05%.

Source: Mr. Lloyd Katron, Postmaster, City of Sterling.

Plaintiff's Exhibit 137

City of Sterling
Electric Power Sales, 1960-1970

Year	Number of Customers at Year End	% Yearly Increase	% Increase Since 1960	Kilowatt Hours Consumed	% Yearly Increase	% Increase Since 1960
1960	4,592	—	—	20,048,530	—	—
1961	4,529	(1.4)	(1.4)	21,028,593	4.9	4.9
1962	4,575	1.0	(0.4)	21,956,999	4.4	9.5
1963	4,596	0.5	0.1	24,572,184	11.9	22.6
1964	4,616	0.4	0.5	26,657,460	8.5	33.0
1965	4,626	0.2	0.7	28,266,609	6.0	41.0
1966	4,621	(0.1)	0.6	30,110,201	6.5	50.2
1967	4,608	(0.3)	0.3	30,111,967	*	50.2
1968	4,513	(2.0)	(1.6)	32,121,586	6.7	60.2
1969	4,734	4.8	3.1	33,848,641	5.4	68.8
1970	4,792	1.2	4.4	36,672,863	8.3	82.9

* Less than 0.05%.

Source: Public Service Company of Colorado, Denver, Colorado.

Plaintiff's Exhibit 138

Motor Vehicle Registrations,
Logan County, Colorado, 1960-1970

Year	Number	% Annual Increase	% Increase Since 1960	Receipts	% Annual Increase	% Increase Since 1960
1960	14,300	—	—	$131,564.57	—	—
1961	14,224	— .5	— .5	131,278.66	— .2	— .2
1962	14,522	2.1	1.6	133,186.99	1.5	1.2
1963	15,113	4.1	5.7	115,668.14	— 13.2	— 12.1
1964	15,473	2.4	8.2	142,594.93	23.3	8.4
1965	15,605	.9	9.1	142,337.63	— .2	8.2
1966	16,009	2.6	12.0	144,739.37	1.7	10.0
1967	16,054	.3	12.3	145,082.71	.2	10.3
1968	16,084	.2	12.5	144,190.78	— .6	9.6
1969	16,686	3.7	16.7	149,108.69	3.4	13.3
1970	17,363	4.1	21.4	188,920.46	26.7	43.6

Source: Department of Revenue, State of Colorado, Motor Vehicle Division, 140 West 6th Street, Denver, Colorado.

Plaintiff's Exhibit 139

Logan County
Value of All Construction
1960-1969

Year	Value
1960	$ 505,000
1961	520,702
1962	1,652,130
1963	2,892,465
1964	2,176,212
1965	869,410
1966	1,369,706
1967	1,371,408
1968	945,250
1969	954,310
TOTAL	$13,256,593

Source: Colorado State Planning Office, Capital Annex, Denver, Colorado.

Plaintiff's Exhibit 140

Logan County
Commercial Employment (1959-1969)

Year	Commercial Employment	% Increase Since 1959
1959	3,110	—
1962	2,983	(4.1)%
1964	2,903	(6.7)
1965	3,456	11.1
1966	3,348	7.7
1967	3,374	8.5
1968	3,683	18.4
1969	3,818	22.8

Source: Colorado State Planning Office, Capital Annex, Denver, Colorado.

Plaintiff's Exhibit 141

Logan County
Total Personal Income, 1929-1968
(Thousands of dollars)

Year	Personal Income	% Increase Since 1959
1929	$ 7,708	—
1940	6,742	—
1950	22,696	—
1959	36,520	—
1962	39,413	7.9%
1965	46,879	28.4
1966	50,889	39.3
1967	53,214	45.7
1968	54,711	49.8

Source: U. S. Department of Commerce, Office of Business Economics.

Logan County:
Earnings by Industrial Sector, 1950-1968
(Percent of Total Earnings)

	1950	1959	1962	1965	1966
Total Earnings	100.00	100.00	100.00	100.00	100.00
Farm Earnings	41.70	22.79	18.64	28.57	31.16
Total Nonfarm Earnings	58.30	77.21	81.36	71.43	68.84
Government Earnings	8.40	12.74	16.03	16.18	16.15
Total Federal	2.43	2.66	3.36	2.63	2.79
Federal Civilian	1.93	1.95	2.53	2.06	2.17
Military	.50	.71	.83	.58	.63
State and Local	5.97	10.08	12.67	13.54	13.35
Private Nonfarm Earnings	49.90	64.47	65.33	55.25	52.69
Manufacturing	3.50	4.90	5.04	5.37	6.71
Mining	.21	9.97	6.62	3.98	2.35
Contract Construction	3.81	5.36	4.99	3.79	3.81
Transportation, Communication, and Public Utilities	7.12	7.94	8.37	5.69	6.17
Wholesale and Retail Trade	23.18	21.06	20.90	18.48	17.03
Finance, Insurance, and Real Estate	2.35	2.76	3.47	3.98	3.32
Services	9.19	11.49	14.76	13.02	12.40
Other	.53	1.00	1.18	.94	.91

SOURCE: U.S. Department of Commerce, Office of Business Economics.

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Logan County:
Earnings by Industrial Sector, 1950-1968
(Percent of Total Earnings)

	1950	1959	1962	1965	1966	1967	1968
	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	41.70	22.79	18.64	28.57	31.16	28.26	21.09
arnings	58.30	77.21	81.36	71.43	68.84	71.74	78.91
rnings	8.40	12.74	16.03	16.18	16.15	17.09	19.35
al	2.43	2.66	3.36	2.63	2.79	2.85	3.29
ivilian	1.93	1.95	2.53	2.06	2.17	2.22	2.59
	.50	.71	.83	.58	.63	.63	.69
ocal	5.97	10.08	12.67	13.54	13.35	14.24	16.06
rm Earnings	49.90	64.47	65.33	55.25	52.69	54.65	59.56
ng	3.50	4.90	5.04	5.37	6.71	7.30	7.34
	.21	9.97	6.62	3.98	2.35	2.72	3.66
nstruction	3.81	5.36	4.99	3.79	3.81	3.75	4.96
ion, Communication, Utilities	7.12	7.94	8.37	5.69	6.17	5.65	5.94
d Retail Trade	23.18	21.06	20.90	18.48	17.03	16.81	17.93
urance, tate	2.35	2.76	3.47	3.98	3.32	3.53	3.66
	9.19	11.49	14.76	13.02	12.40	14.05	15.21
	.53	1.00	1.18	.94	.91	.85	.85

rtment of Commerce, Office of Business Economics.

Logan County:
Earnings by Industrial Sector, 1950-1968
(Thousands of Dollars)

	1950	1959	1962	1965	1966	1
Total Earnings	$17,663	$28,804	$29,241	$36,436	$39,645	$4
Farm Earnings	7,366	6,565	5,450	10,410	12,354	1
Total Nonfarm Earnings	10,297	22,239	23,791	26,026	27,291	2
Government Earnings	1,484	3,669	4,688	5,894	6,401	
Total Federal	429	766	983	959	1,108	
Federal Civilian	341	561	741	749	859	
Military	88	205	242	210	249	
State and Local	1,055	2,903	3,705	4,935	5,293	
Private Nonfarm Earnings	8,813	18,570	19,103	20,132	20,890	2
Manufacturing	619	1,411	1,473	1,956	2,659	
Mining	37	2,872	1,935	1,449	933	
Contract Construction	673	1,544	1,460	1,382	1,511	
Transportation, Communication, and Public Utilities	1,258	2,287	2,447	2,072	2,445	
Wholesale and Retail Trade	4,094	6,065	6,110	6,735	6,752	
Finance, Insurance, and Real Estate	415	795	1,016	1,449	1,316	
Services	1,623	3,309	4,317	4,745	4,915	
Other	94	287	345	344	359	

SOURCE: U.S. Department of Commerce, Office of Business Economics.

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Logan County:
Earnings by Industrial Sector, 1950-1968
(Thousands of Dollars)

	1950	1959	1962	1965	1966	1967	1968
	$17,663	$28,804	$29,241	$36,436	$39,645	$41,387	$41,024
	7,366	6,565	5,450	10,410	12,354	11,694	8,650
rnings	10,297	22,239	23,791	26,026	27,291	29,693	32,374
ings	1,484	3,669	4,688	5,894	6,401	7,073	7,939
l	429	766	983	959	1,108	1,180	1,349
vilian	341	561	741	749	859	918	1,064
	88	205	242	210	249	262	285
cal	1,055	2,903	3,705	4,935	5,293	5,893	6,590
Earnings	8,813	18,570	19,103	20,132	20,890	22,620	24,435
g	619	1,411	1,473	1,956	2,659	3,021	3,013
	37	2,872	1,935	1,449	933	1,124	1,503
struction	673	1,544	1,460	1,382	1,511	1,550	2,034
n, Communication, Utilities	1,258	2,287	2,447	2,072	2,445	2,337	2,435
Retail Trade	4,094	6,065	6,110	6,735	6,752	6,959	7,357
rance, ate	415	795	1,016	1,449	1,316	1,463	1,503
	1,623	3,309	4,317	4,745	4,915	5,815	6,241
	94	287	345	344	359	351	349

tment of Commerce, Office of Business Economics.

Plaintiff's Exhibit 143

Logan County
Number of Telephones, 1960-1970

Year	Number of Terminals in Service at Year End [1]	% Yearly Increase	% Increase Since 1960	Number of Telephones in Service at Year End	% Yearly Increase	% Increase Since 1960
1960	4,398	—	—	5,987	—	—
1961	4,426	0.6	0.6	6,601	10.3	10.3
1962	4,498	1.6	2.3	6,634	0.5	10.8
1963	4,660	3.6	5.9	6,897	4.0	15.2
1964	4,821	3.5	9.6	7,040	2.1	17.6
1965	4,923	2.1	11.9	7,320	4.0	22.3
1966	4,954	0.6	12.6	7,438	1.6	24.2
1967	5,095	2.8	15.8	8,603	15.7	43.6
1968	5,164	1.4	17.4	8,644	0.5	44.4
1969	5,202	0.7	18.3	8,686	0.5	45.1
1970	5,288	1.7	20.2	9,022	3.9	50.7

[1] A terminal represents one telephone number or line. A number of these are multi-party lines or have extension phones.

Source: Mr. Kenneth R. Adkison, Manager, Sterling Business Office, Mountain Bell Telephone Company.

Plaintiff's Exhibit 144

Value of Commercial Construction In Logan County
1960-1969

Year	Value
1960	$ 120,000
1961	63,000
1962	435,200
1963	422,000
1964	368,700
1965	131,875
1966	55,300
1967	81,500
1968	253,000
1969	397,500
TOTAL	2,328,075

Source: Colorado State Planning Office, Capital Annex, Denver, Colorado.

PLAINTIFF'S EXHIBIT 145

APPLICATION

To the Board of Governors of The Federal Reserve System

by

THE FIRST NATIONAL BANCORPORATION, INC.

(Name of Applicant)

621 SEVENTEENTH STREET,
DENVER, COLORADO 80202

(Address)

FOR PRIOR APPROVAL OF ACQUISITION OF BANK SHARES PURSUANT TO SECTION 3(A)(3) OF THE BANK HOLDING COMPANY ACT OF 1956, AS AMENDED

APPLICATION

FOR PRIOR APPROVAL OF ACQUISITION OF BANK SHARES PURSUANT TO SECTION 3(A)(3) OF THE BANK HOLDING COMPANY ACT OF 1956, AS AMENDED

THE FIRST NATIONAL BANCORPORATION, INC

(Name of Applicant)

(hereinafter called the Applicant), a Corporation organize under the laws of Colorado, and having its principal pla of business at Denver, Colorado, hereby applies to t Board of Governors of the Federal Reserve System (her inafter called the Board), pursuant to section 3(a)(3) the Bank Holding Company Act of 1956, as amended, f prior approval by the Board of the acquisition by the A plicant of direct or indirect ownership, control, or pow to vote, of 80% or more of the voting shares of:

THE EXCHANGE NATIONAL BANK OF COLORADO SPRINGS

(Name of Bank)

#6 SOUTH TEJON STREET, COLORADO SPRING COLORADO 80901

(Address)

(hereinafter called the Bank or Colorado Springs).

Table of Contents

For the purpose of obtaining the Board's prior approval of the acquisition of direct or indirect ownership, control, or power to vote of 80% or more of the voting shares of The Exchange National Bank of Colorado Springs, Colorado Springs, Colorado, the Applicant submits herewith as part of this application the following Exhibits prepared in accordance with the general information and instructions as required by Section 3(a)(3) of The Bank Holding Company Act of 1956, as amended.

Exhibit	Page
Definitions	
Exhibit A Resolution of Board of Directors	A-1
Exhibit B Proposed Transaction	B-1
Exhibit C Financial History and Condition, Management, and Future Prospects of Applicant	C-1
Exhibit C-1(A): Balance Sheet of Applicant, Adjustments to Record Acquisition of Colorado Springs, and Resulting ProForma Balance Sheet	C-10
Exhibit C-1(B): Balance Sheet of Applicant, Adjustments to Record Acquisition of Colorado Springs (subject of this Application), The First National Bank of Greeley and The First National Bank of Pueblo (both subject of applications previously filed, The Security State Bank of Sterling (subject of additional application to be filed)	C-11
Exhibit C-2: Analysis of Applicant's Retained Earnings and Pain-In Surplus Accounts January 1, 1969—December 31, 1969	C-13
Exhibit C-3: Applicant's Annual Report to Shareholders Year Ending December 31, 1968	

EXHIBIT D

Financial History and Condition, Management and Future Prospects of Bank D-1

Exhibit D-1: Copies of Colorado Springs' Reports of Condition and Income and Dividend Reports ..... *

Exhibit D-2: Colorado Springs' Annual Report of Shareholders—Year Ending December 31, 1969 ..... *

Exhibit D-3: Balance Sheet of Rocky Mountain Computer Company, Jointly Owned Subsidiary of Colorado Springs D-8

Exhibit D-4: Balance Sheet of the Zebulon Pike Corporation, a Wholly Owned Subsidiary of Colorado Springs as of December 31, 1969 ..... D-10

EXHIBIT E

Description of Bank's Operations E-1

Exhibit E-1: Copy of Analysis of Colorado Springs' Demand, Savings and Time Accounts as Filed with the Federal Deposit Insurance Corporation as of June 30, 1969 E-4

EXHIBIT F

Description of Bank's Services Relative to the Convenience and Needs of the Area it Serves F-1

EXHIBIT G

Competitive Situation G-1

Exhibit G-1: Map Showing Location of Applicant's Subsidiaries, Colorado Springs, First National Bank of Greeley, The First National Bank of Pueblo (subject of application previously filed), and The Security State Bank of Sterling (subject of additional application to be filed) ..... *

Exhibit G-2: Map Showing Location of all Banks and Nonbank Financial Instructions within Colorado Springs' Primary Service Area ..... *

* Each of these Exhibits are contained in the separate folder marked "Exhibits".

The Applicant represents that the information contained in this application is true and complete to the best of its knowledge and belief.

Executed this 2nd day of March, 1970.

THE FIRST NATIONAL BANCORPORATION, INC.
(Name of Applicant)

By —Copy not legible—
(Authorized Officer)

ATTEST:
Edward B. Close, Jr.

3. (continued)

(b) *The extent to which Bank's trust business originates in its service area, in the service areas of subsidiary banks of the Applicant, and of Applicant if it is a bank;*

Over 90 per cent of the total amount of Colorado Springs' trust accounts originate within its Primary Service Area. Three accounts, with a value of $117,562, lie within the Denver Standard Metropolitan Statistical Area, that area considered to be First National's Primary Service Area. (None of Applicant's remaining three subsidiaries have trust departments, thus only First National's Primary Service Area was considered.)

(c) *The extent to which each of Applicant's subsidiaries, or Applicant if it is a bank, derives trust business from the service area of Bank.*

While First National, the only subsidiary of Applicant with a trust department, provides trust services for various beneficiaries who reside in the City of Colorado Springs, the actual trust business derived from the service area of Colorado Springs is nominal.

One Pension Trust Account valued at $1,723,270.34 was formally solicited by members of the staff of First National, and one personal trust valued at $323,367.15 was acquired through the direct efforts of a former officer of First National. In addition two Pension Trust Accounts (valued at $773,495.68), eight personal trust accounts (valued at $3,122,769.20) and one custodial account (valued at $1,000,000) were established directly with First National either because of dissatisfaction with trust services in the City of Colorado Springs or because of the desire to obtain

---

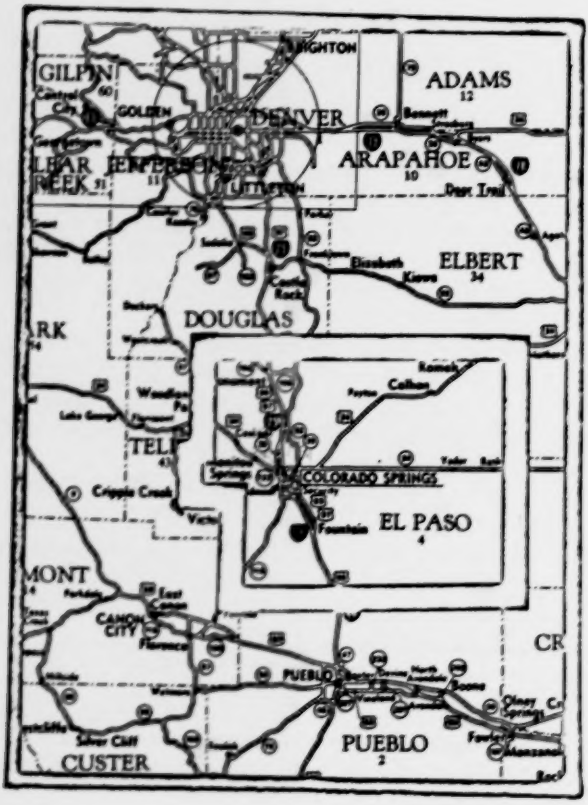
NOTE: As a matter of interest, and assuming the Board approves Applicant's proposed acquisitions of The First National Bank of Greeley and The First National Bank of Pueblo (both subjects of previously filed applications under Secton 3 (a) (3) of the Banking Holding Company Act of 1956, as amended) Colorado Springs has no trust business within the Primary Service Area of Greeley and only six trust accounts in Pueblo's Primary Service Area. Value of these trusts totals $316,228.68. Of these accounts two totaling $250,180.89 were established many years ago when there were no corporate fiduciaries in the City of Pueblo, and the remaining four were established by a former Colorado Springs resident whose son and grandsons now reside in Pueblo.

DESCRIPTION

cation

lorado Springs was founded by General William J. Palmer in 1871. At an elevation over 6,000 feet above sea level, Colorado Springs is located in relatively flat ni-arid country on the eastern slope of the Rocky Mountains and is the county t of El Paso County.

lorado Springs is on Interstate 25, 65 miles south of Denver and 40 miles north Pueblo.



the services of a much larger trust department than was available within the City of Colorado Springs. The aggregate value of all trust business stated above is $6,942,902.37 or approximately 1/10 of 1% of the total trust business of First National.

History

Colorado Springs originally began and thrived as a resort and health center and during the late 1880's shared in the benefits resulting from the gold and silver booms in Colorado, principally from mineral strikes at nearby Cripple Creek. With the decline in gold mining, the growth of Colorado Springs leveled off in the decade of World War I. Slow growth continued during the 20's and 30's, and the summer season still attracted thousands of vacationists.

Starting in 1942, Colorado Springs encouraged the development of intensive military activity which quickly grew to dominate the local economy. As will be illustrated in more detail in subsequent pages, the military has been a major stabilizing factor in the city and remains a significant contributor to the overall economic prosperity enjoyed by Colorado Springs.

During the late 1950's Colorado Springs took stock of its extensive and varied assets and directed its growth toward an expanded industrial base, particularly in the manufacturing of electrical and electronic equipment and precision metal products.

Throughout the nation, Colorado Springs has always enjoyed a high reputation for its cultural activities. The tradition of cultural activities has been maintained and expanded to the point where a wide range of activities includes such diverse fields as nature study, square dancing, symphony orchestra and opera, to name a few.

Education

The U. S. Census Bureau reports that on April 30, 1960, the Colorado Springs SMSA had the highest educational levels of all SMSA's in the United States.

Metropolitan Colorado Springs is served by seven school districts which have 9 senior high schools, 16 junior high schools and 53 elementary schools.

Until the 1960's, Colorado College was the only significant institution of higher learning in Colorado Springs. Colorado College is a privately endowed, non-sectarian, co-

ducation college of liberal arts and sciences. Enrollment or the 1968 fall semester was 1,710 students.

The University of Colorado now has a center in Colorado prings. It is located on an 80-acre site on Cragmor Road. he center is a state sponsored co-educational institution. t offers a bachelors degree and graduate courses to a asters degree in business administration, electrical engi-eering, arts and education, and science in applied math. nrollment for the fall of 1968 was 3,102, 28% of whom re graduate students. Southern Colorado State College onducts an evening program in Colorado Springs with the arious military installations. In the fall of 1968, 883 tudents were enrolled.

Nazarene Bible College opened in 1968 with 190 students; l Paso Community College, a two-year vocational school, egan classes in September of 1969.[1]

opulation

Since 1954, Colorado Springs has been one of the fastest rowing cities in the United States. Statistics concerning he population growth of this city and the Colorado Springs MSA are indicative of that statement. The graph on the ollowing page shows that in the last 20 years, Colorado prings increased more than 230% in population; and all rojections indicate that by 1990, there will be more than hree times as many people in the Springs as there are now.

The population growth of Colorado Springs in the last 0 years is even more apparent when it is compared to the tate of Colorado. Colorado's population increased 21.3% rom 1960 to 1970. Colorado Springs' population increased 15% from 1960 to 1970, and its SMSA increased more than 7% in the same period.

Population Comparisons of Colorado and City and SMSA of Colorado Springs

	Colorado State	% Inc.	Colorado Springs City	% Inc.	SMSA	% Inc.
960	1,754,000		70,194		143,742[2]	
		21.3		115.1		77.1
970	2,127,000[3]		151,000		245,592[4]	

[1] *The Industrial Picture* Chamber of Commerce, Colorado Springs, Colorado evised February 26, 1969.

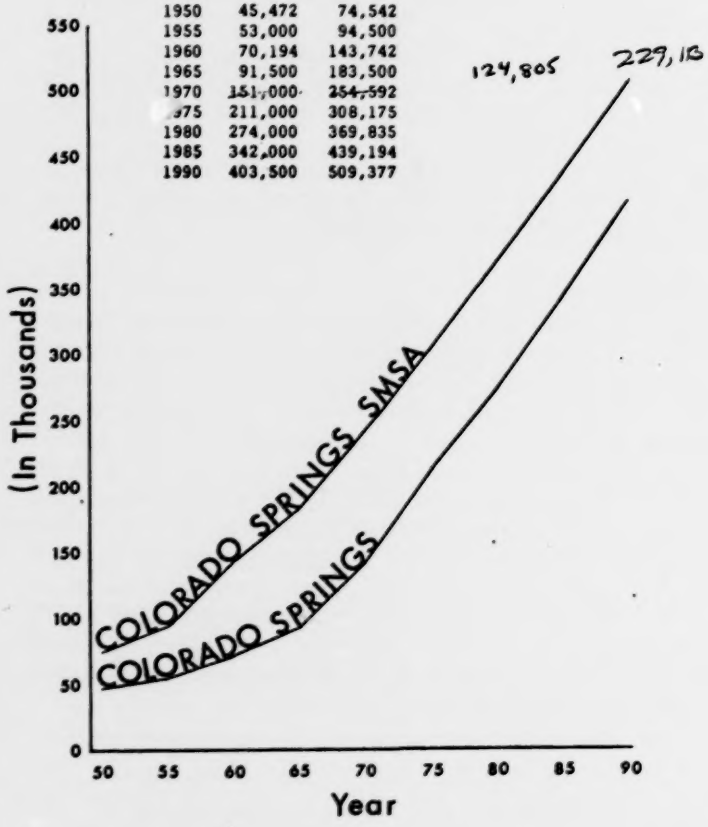
[2] *U. S. Population Census*, 1960.

[3] *Colorado Marketing Manual*, Colorado Interstate Gas Company, 1970.

[4] See population table.

Population Growth
of Colorado Springs
and Colorado Springs' SMSA
From 1950 to a Projected 1990

	Colorado Springs	Colorado Springs SMSA
1950	45,472	74,542
1955	53,000	94,500
1960	70,194	143,742
1965	91,500	183,500
1970	151,000	254,592
1975	211,000	308,175
1980	274,000	369,835
1985	342,000	439,194
1990	403,500	509,377



(5) Colorado Springs Metropolitan Area Transportation Study - Population, Pikes Peak Area Council of Governments. Interim Report 1, 1968.

Sales

Retail sales in Colorado Springs SMSA increased 135% from 1959 to 1968. The state retail sales increased 96% in the same period. The following table illustrates this growth and also shows the consistently larger percent of state retail sales generated in El Paso County.

Retail Sales from 1959–1968
Colorado and Colorado Springs SMSA

Year	State Retail Sales	County Retail Sales	% County of State
1959	3,752,622,499	215,789,098	5.7
1960	3,836,151,125	229,157,837	5.9
1961	3,912,141,793	232,785,600	5.9
1962	4,125,597,923	269,719,807	6.5
1963	4,420,603,299	294,727,220	6.6
1964	4,785,565,928	342,462,842	7.1
1965	5,126,825,393	377,499,436	7.3
1966	5,570,602,912	400,708,254	7.1
1967	5,894,999,431	429,262,089	7.2
1968	6,599,979,899	507,451,139	7.6[6]

Deposits and Loans

The following table shows the growth in Deposits and Loans in Colorado Springs as compared to the State of Colorado.

DEPOSITS
(000 Omitted)

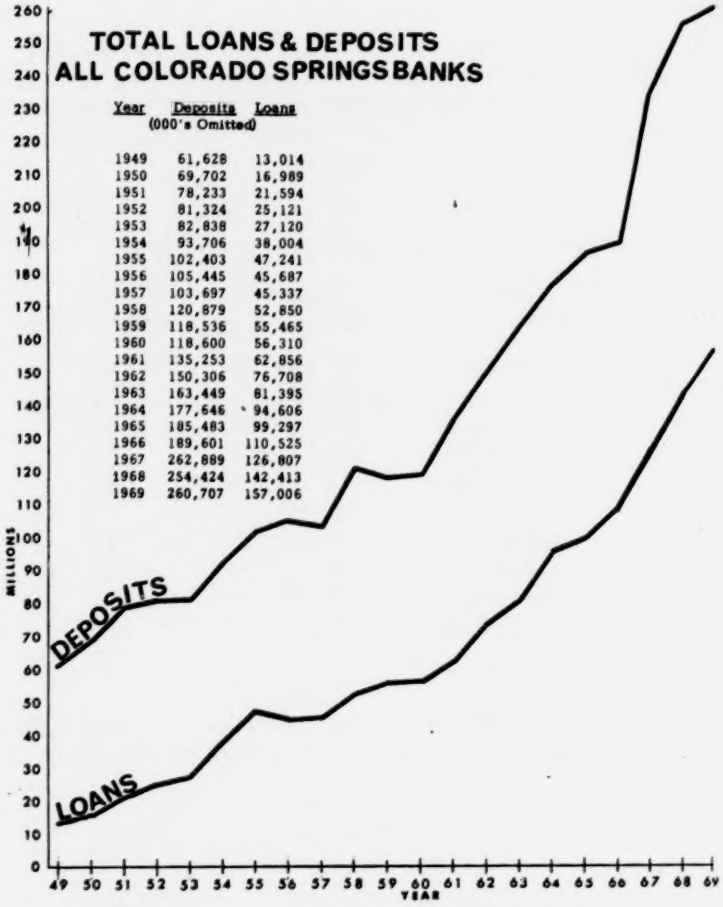
	Colorado Springs	Colorado
1960	$118,600	$2,200,470
1968	$254,424	$3,857,762

LOANS
(000 Omitted)

	Colorado Springs	Colorado
1960	$ 56,310	$1,022,309
1968	$142,413	$2,334,889[7]

[6] Department of Revenue—State of Colorado, 1959-1968.

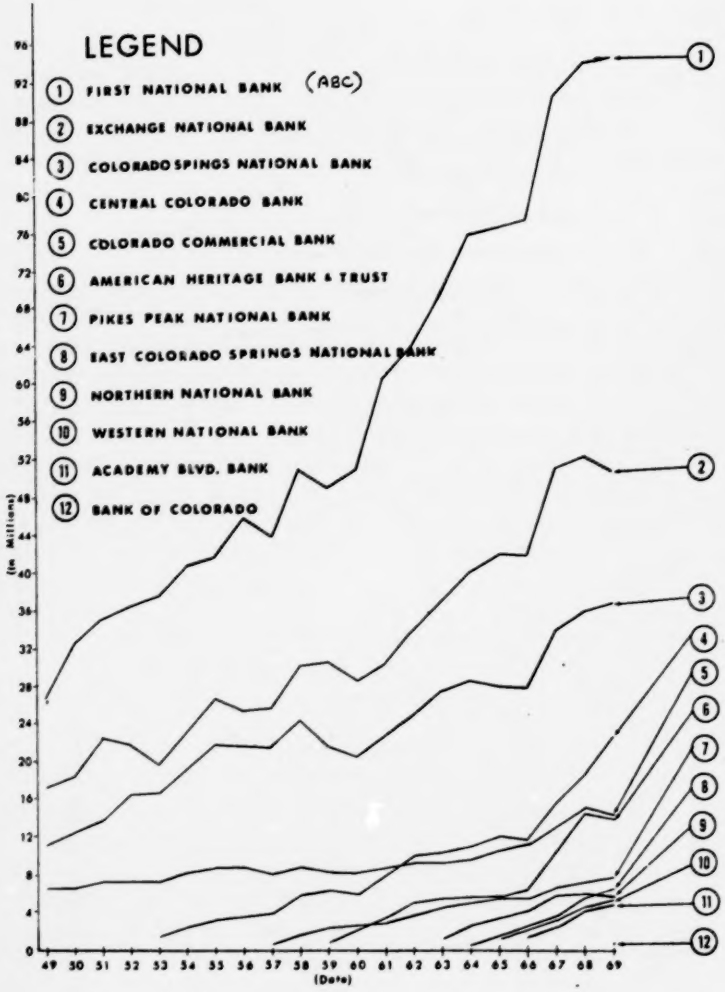
[7] See Loan and Deposit Table.

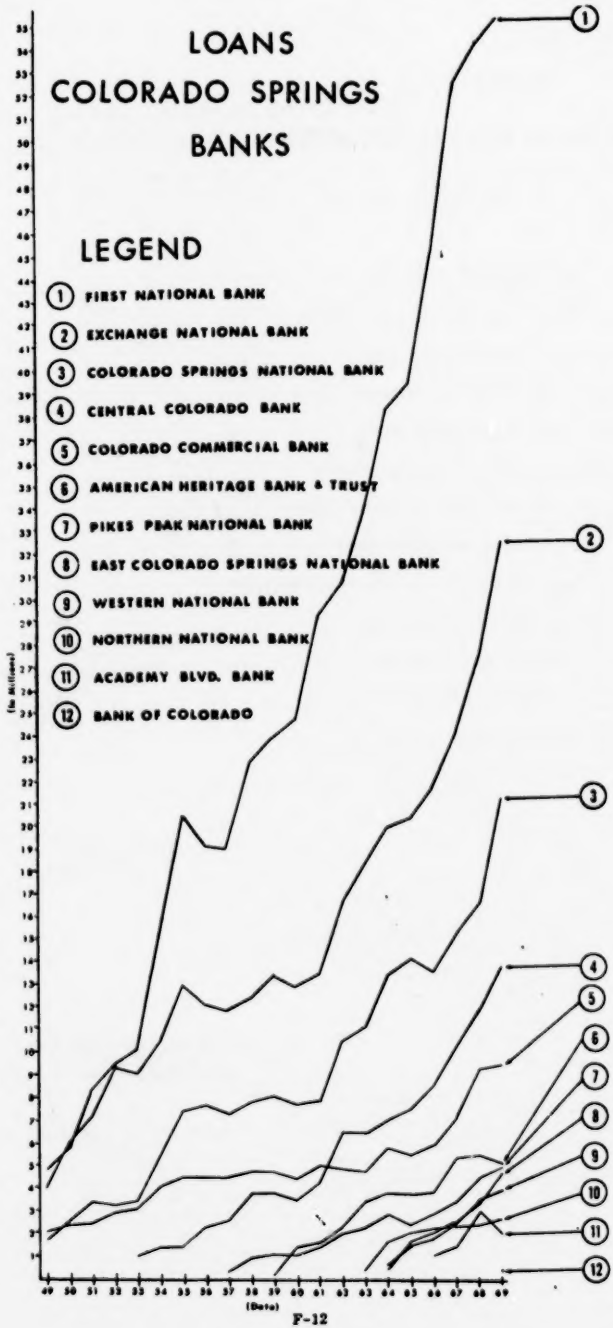


Year	Deposits	Loans
	(000's Omitted)	
1949	61,628	13,014
1950	69,702	16,989
1951	78,233	21,594
1952	81,324	25,121
1953	82,838	27,120
1954	93,706	38,004
1955	102,403	47,241
1956	105,445	45,687
1957	103,697	45,337
1958	120,879	52,850
1959	118,536	55,465
1960	118,600	56,310
1961	135,253	62,856
1962	150,306	76,708
1963	163,449	81,395
1964	177,646	94,606
1965	185,483	99,297
1966	189,601	110,525
1967	262,889	126,807
1968	254,424	142,413
1969	260,707	157,006

(5) Mountain States Bank Directory, 1949 - 1961.
Polk's Bank Directory, 1962 - 1968.
Individual Call Report, 1969.

DEPOSITS
COLORADO SPRINGS
BANKS




LOANS
COLORADO SPRINGS
BANKS
LEGEND
1 FIRST NATIONAL BANK
2 EXCHANGE NATIONAL BANK
3 COLORADO SPRINGS NATIONAL BANK
4 CENTRAL COLORADO BANK
5 COLORADO COMMERCIAL BANK
6 AMERICAN HERITAGE BANK & TRUST
7 PIKES PEAK NATIONAL BANK
8 EAST COLORADO SPRINGS NATIONAL BANK
9 WESTERN NATIONAL BANK
10 NORTHERN NATIONAL BANK
11 ACADEMY BLVD. BANK
12 BANK OF COLORADO
(In Millions)
(Date)

As indicated by the table, from 1960 to 1968 deposits increased in Colorado Springs 114.5%, while deposits in the state increased only 75.32%. In the same period, loans in Colorado Springs increased 152.9%, well above the state increase of 128.3%.

Industry

There are three major sources of demand for local goods and services, each of which affect many different industry categories. The three furnish most of the basic employment for the area; they are tourism, defense activity and manufacturing.

Tourism

Visitors from far and near take advantage to the hunting, fishing, boating, riding, camping and hiking opportunities. Spectator sports include The Pikes Peak Hill Climb, one of the most unusual auto races in the country, in addition to The Pikes Peak or Bust Rodeo, the United States Air Force Academy and sight-seeing in the beautiful high country. All these continue to make tourism one of Colorado Springs' basic industries. The impact and growth of this industry is exemplified in the table depicting the estimated effective income from visitors for the 10 years preceding 1968.

COLORADO SPRINGS SMSA
(El Paso County)
Estimated Effective Income from Visitors

Year	Annual Visitors	Total Spending
1958	1,671,700	$45,800,000
1959	1,700,000	53,300,000
1960	1,800,000	55,250,000
1961	1,700,000	50,700,000
1962	1,900,000	57,044,000
1963	2,000,000	60,000,000
1964	2,100,000	63,000,000
1965	2,000,000	60,000,000
1966	2,300,000	63,300,000
1967	2,400,000	66,000,000
1968	2,600,000	72,000,000

1968 Colorado Springs Vacation Statistics (estimated)

Conventions in Colorado Springs	616
Convention attendance	110,880
Other visitors	2,489,120
Total Colorado Springs Visitors	2,600,000
Convention delegate spending per stay	$122.00
Convention spending	$13,527,360
Vacation spending	$58,472,640
Total Visitor Spending	$72,000,000[11]

Economic Base

Assuming the military employment remains about the same as it is now, it would appear that the military accounts for half of the labor force at the present time.

But these employment figures overstate the dependence of the Colorado Springs area economy on direct military employment because the uniformed military personnel put relatively less purchasing power per employee into the local economy than do employees in the other sectors listed. Thus, the uniformed military employee, although in basic industry, makes less of a contribution to the support of the local economic activity than do the basic employees in other industrial categories. The contributions to the economy made by a basic employee in a highly paid industry such as manufacturing may also be far different from the contributions by an employee of a seasonal sector of industry such as tourism.

To illustrate this point the payroll dollars in all industries were put into the three leading industrial categories in Colorado Springs. With the help of several experts in each field and work done by the Denver Research Institute, *The Economy of Colorado Springs*, a multiple was given to each of the industries to determine the effective dollars generated from that industry.

Tourism (including agriculture) because of the seasonal effect on spending is given a multiple of 3 which is considerably less than the multiple of 8 given to manufacturing where the dollars are continually circulating in the economy of the community. This is not true of the military, particularly at Fort Carson, where the personnel do most of their

[11] *The Industrial Picture* Chamber of Commerce, Colorado Springs, Colorado Revised February 26, 1969.

buying on the post or they are sending allowances home. For this reason the military was given a multiple of 4. With the use of these multiples the following table shows the distribution of the effective dollar and its impact on the Springs economy.

ECONOMIC DATA—1968 (in millions)

	TOURISM	MILITARY	MANUFACTURING	
Payroll	$28.1 (5.9%)	$ 267.6 (55.5%)	$ 188 (38.6%)	= $ 483.7 (100%)
Mult.	3	4	8	
Effect.	84.3 (3.2%)	$1,070.4 (40.3%)	$1,504 (56.5%)	= $2,659 (100%)
Bank Clearings for 1968				= $2,663 *

When the total of the effective dollars in industry, using these multiples, is compared to the 1968 Bank Clearings in Colorado Springs the economic relationship of the different industries is put into its proper perspective. *Thus, manufacturing which accounted for only 38.6% of the 1968 payroll dollars increased to 56% of the effective dollars as a result of its higher multiplier.* Conversely the military which represented 55.5% of total payroll dollars contributed only 40.3% to the community's effective dollars.

Reasons for the Past and Future Growth in Colorado Springs

The advantages of industrial location in Colorado Springs are numerous and will certainly foster a growth in the next decade to match the tremendous expansion of the 1960's. In a recent survey in the Colorado Springs SMSA leading businessmen were asked why their firms located in Colorado Springs and what they felt was the reason for the accelerated growth of the region. Their answers touched on many of Colorado Springs' unique attributes:

The *stabilizing effect of the military* on the economic base of the city was cited as a reason for accelerated growth by William Richardson, President of Aircraft Mechanics. Not only has the military provided a solid continuing job base for civilian and non-civilian alike, but many companies—such as Systems Development Company—have located in

* Effective dollars represent 99.8% of the Bank Clearings for 1968.

Colorado Springs primarily to serve the military installations.

Colorado Springs' *central location* nationally enables firms such as White Automotive Company and Enresco to serve more economically and efficiently the national market. The city has excellent transportation facilities including: 4 railroads, 17 trucking companies and 3 commercial airlines with scheduled service.

Favorable utility rates are yet another advantage of Colorado Springs—a factor which many businessmen—including William Schlosser, President of Western Forge—felt contributed heavily to their firm's location decision. The following comparison of utility rates substantiates this assertion:

Net Monthly Bills as of February 10, 1967.

KWH	National Average	Colorado Springs	Denver	Pueblo
RESIDENTIAL				
100	4.02	3.19	3.67	4.07
250	7.38	6.49	7.12	8.07
500	10.41	10.19	9.62	10.57
COMMERCIAL				
750	26.99	18.10	22.85	22.74
1,500	50.98	34.38	45.70	45.48
6,000	161.01	112.00	150.00	137.23
INDUSTRIAL				
30,000	634.00	456.00	559.00	546.00
60,000	1,160.00	838.00	1,001.00	1,117.00
200,000	3,423.00	2,483.00	3,014.00	3,557.00[16]

An *adequate water supply* is also presently available to Colorado Springs. With the completion of the Homestake Water Project and the Frying Pan Arkansas Project, the city will have a water supply which will support a community of 450,000.

As has already been noted, Colorado Springs SMSA is one of the fastest growing metropolitan areas in the United States. This *growing local market* has made it possible for

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[16] *The Industrial Picture* Chamber of Commerce, Colorado Springs, Colorado. Revised February 26, 1969.

firms such as the Vicon Instrument Company to market their products in Colorado Springs in addition to their national outlets.

The educational environment of the city is very attractive to industry. Colorado Springs has the highest educational level in the United States and boasts of five degree conferring colleges.

Hewlett Packard, a California firm, with a division in Colorado Springs since 1962, typifies local industries' educational emphasis by its program to bring video-talk-back classes of graduate level into the plant. Mr. Stan Selby of this firm claimed that the educational environment in Colorado Springs attracts the high grade of engineers and management personnel needed by his company.

The greatest industrial attraction, however, is the Colorado Springs *outstanding living conditions.* Almost every businessman interviewed cited this advantage of the city. Dusty Loo, president of a Loo Arts greeting card firm, noted that because of the scenic environment and pleasant climate he could attract more qualified people at less money than in almost any other location. Colorado Interstate Corporation, which has its head offices in Colorado Springs, would have more logically located in Dallas, Texas, according to area development manager, John Chandler. The company management, however, believed that ideal climate and beauty of the city outweighed the necessity to locate at the focal point of their operation, and therefore chose Colorado Springs.

The outstanding physical environment coupled with the cultural and educational attributes of the city has drawn many *skilled professional people.* The region, however, has also attracted a *large labor pool of hourly employees,* many of whom are wives of military personnel. This not only benefits the employees, but it is a proven fact that people living in the Colorado Springs area work harder, longer hours, with less absenteeism and have a better attitude toward their work than in most other parts of the country. This inevitably benefits the employers with greater productivity per man hour.

The beauty of the city has attracted many people in retirement, particularly from the military. Mr. Chandler claims that Colorado Interstate Corporation alone employs over 42 retired military officers.

The environment of Colorado Springs has of course not only benefitted industry, it has also made possible a widely expanding tourist trade. Milo Moore, President of Maytag Aircraft and advisor to the Broadmoor complex, feels that only recently have the opportunities in the tourism industry been realized in Colorado Springs and that much of this potential has yet to be exploited.

Summary

During the past decade Colorado Springs has enjoyed an impressive record of growth as evidenced by the move into the city of some of the most respected names in American business. The "Springs" is a technically oriented community based upon three primary areas of economic activity: tourism, military, and manufacturing. The well-educated work force, central location, dry moderate climate, adequate transportation facilities and community attitude all add up to a tested formula for success.

Tourism is the oldest industry in the city, and the fame of Pike's Peak, Garden of the Gods, the Broadmoor and the United States Air Force Academy will certainly bring an increasing number of visitors to the city in the years to come. Tourists generate employment and income primarily in the retail and service categories. The effective income generated in the commercial economy by tourism in 1968 was about $72 million.

The following military installations provide a firm and PERMANENT economic base for the city:

NORAD, the heart of our nation's Aerospace Defense System has its headquarters in the Springs and is the employer of 7108 military.

Fort Carson, designated as a permanent U.S. Army installation in 1954, presently has over 24,000 uniformed personnel.

The United States Air Force Academy, comparable to West Point and Annapolis, will by 1971 consist of 4,417 cadets, 1,050 officers and 1,236 Airmen.

These three military installations, along with Ent Air Force Base serving NORAD, together contribute $1,070,400,000 or 40.3% of the effective income of the area.

It is Industry, however, that has grown to the most prominent position in the community. Manufacturing con-

tributes over $1.5 Billion, or 56.5%, of the effective buying income of Colorado Springs. Manufacturers have recognized the value of locating their facilities in a community that offers well-balanced living conditions for their employees resulting in higher productivity for their companies. The Colorado Springs Industrial Foundation, organized to

EXHIBIT G

1. *Judgment of Bank's officers as to Bank's approximate service area, the actual or estimated population of such area, and an explanation of the basis for such a service area delineation.*

Colorado Springs' Primary Service Area, that area within which 75 per cent or more of Colorado Springs' I. P. C. Demand, Savings, Time Deposits, and Loans originate, was determined to be the area delineated by ZIP Code areas for the City of Colorado Springs. Actual distribution of deposits and loans is more particularly described as follows:

Total # of A/C's	# in Colo. Spgs. P.S.A.	Description	Total Amount	Amount in P.S.A.	%
12,563	9,820	Deposits —Demand	$25,609,324	$21,615,112	84
13,422	12,198	Time & Savings	15,644,561	11,902,830	76
		Loans —Instalment &			
5,061	4,001	Other Personal	10,269,136	7,922,972	77
		—Commercial &			
171	167	Industrial	8,451,638	7,845,638	92
		—Commercial Real			
53	45	Estate	6,263,276	5,701,360	91
209	202	—Other Real Estate	4,080,927	3,996,109	98

Farm loans, for purposes of this report, were not evaluated in that there were only eighteen such loans totaling $586,946 of which one loan for $266,600 was to a director of Colorado Springs and one in the amount of $186,670 was a direct livestock feed-lot line situated in Lamar, Colorado and has been a customer for many years. The balance consisted of small loans for farm and livestock purposes. Loans extended under a retail credit card plan were likewise not evaluated.

The Primary Service Area as indicated lies primarily within the City of Colorado Springs' community boundaries, however the ZIP Code areas do include the adjacent community of Security, Colorado and the Fort Carson Military Reservation, both situated immediately to the south of the City of Colorado Springs.

The population of this area according to the Bureau of the Census in 1960, was 79,211 persons, and "The Commercial Atlas and Marketing Guide" (published by Rand McNally and Company) estimates the 1969 population at 142,667 persons.

TOTAL ASSETS OF COMMERCIAL BANKS IN THE CITY OF COLORADO SPRINGS AND EL PASO COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1970			June 1969			June 1968		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of Cou
lorado Commercial Bank	$ 16,744	5.5	5.0	$ 16,509	5.6	5.2	$ 16,390	6.4	5
lorado Springs National Bank	44,059	14.4	13.2	39,365	13.4	12.4	34,446	13.4	12
st Colorado Springs National Bank	8,844	2.9	2.7	7,282	2.5	2.3	5,019	1.9	1
change National Bank	59,318	19.4	17.8	61,722	21.0	19.4	54,130	21.0	19
irst National Bank of Colorado Springs	103,261	33.8	31.0	104,028	35.5	32.7	93,046	36.1	33
rthern National Bank	7,175	2.3	2.2	6,468	2.2	2.0	5,845	2.3	2
stern National Bank	6,384	2.1	1.9	5,787	2.0	1.8	4,608	1.8	1
kes Peak National Bank	8,426	2.8	2.5	7,876	2.7	2.5	7,441	2.9	2
ademy Boulevard Bank (established 1/18/65)	6,828	2.2	2.0	5,513	1.9	1.7	3,834	1.5	1
erican Heritage Bank & Trust Co. (formerly Southgate State Bank)	14,831	4.9	4.4	15,723	5.4	4.9	14,765	5.7	5
nk of Colorado (established 7/14/69)	2,052	0.7	0.6	-	-	-	-	-	-
ntral Colorado Bank	27,826	9.1	8.3	23,081	7.9	7.2	18,284	7.1	6
TOTAL: COLORADO SPRINGS	305,748	100.0	91.7	293,354	100.0	92.1	257,808	100.0	93
rt Carson National Bank (established 3/13/67)	5,270	-	1.6	4,285	-	1.3	3,827	-	1
irst State Bank of Fountain (established 3/11/68)	2,076	-	0.6	1,626	-	0.5	-	-	
nk of Manitou, Manitou Springs	3,762	-	1.1	3,211	-	1.0	2,265	-	0
nk of Fountain Valley, Security	4,957	-	1.5	4,412	-	1.4	3,419	-	1
ir Academy National Bank, USAF Academy (established 6/15/66)	7,978	-	2.4	7,175	-	2.3	5,597	-	2
rmers State Bank of Calhan	4,612	-	1.4	4,307	-	1.3	3,903	-	1
TOTAL: EL PASO COUNTY	333,403	-	100.0	318,370	-	100.0	276,819	-	100

OVERSIZE PAGE

TOTAL ASSETS OF COMMERCIAL BANKS IN THE
CITY OF COLORADO SPRINGS AND EL PASO COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1970			June 1969			June 1968			June 1967		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
	$ 16,744	5.5	5.0	$ 16,509	5.6	5.2	$ 16,390	6.4	5.9	$ 14,184	6.0	5.7
Bank	44,059	14.4	13.2	39,365	13.4	12.4	34,446	13.4	12.4	34,506	14.6	13.8
ional Bank	8,844	2.9	2.7	7,282	2.5	2.3	5,019	1.9	1.8	3,587	1.5	1.4
	59,318	19.4	17.8	61,722	21.0	19.4	54,130	21.0	19.6	54,383	23.0	21.7
lorado Springs	103,261	33.8	31.0	104,028	35.5	32.7	93,046	36.1	33.6	88,016	37.2	35.1
	7,175	2.3	2.2	6,468	2.2	2.0	5,845	2.3	2.1	5,559	2.3	2.2
	6,384	2.1	1.9	5,787	2.0	1.8	4,608	1.8	1.7	3,442	1.5	1.4
	8,426	2.8	2.5	7,876	2.7	2.5	7,441	2.9	2.7	6,741	2.8	2.7
	6,828	2.2	2.0	5,513	1.9	1.7	3,834	1.5	1.4	2,033	0.9	0.8
rust Co.												
Bank)	14,831	4.9	4.4	15,723	5.4	4.9	14,765	5.7	5.3	8,721	3.7	3.5
	2,052	0.7	0.6	-	-	-	-	-	-	-	-	-
	27,826	9.1	8.3	23,081	7.9	7.2	18,284	7.1	6.6	15,404	6.5	6.1
RINGS	305,748	100.0	91.7	293,354	100.0	92.1	257,808	100.0	93.1	236,576	100.0	94.4
	5,270	-	1.6	4,285	-	1.3	3,827	-	1.4	1,626	-	0.6
in												
	2,076	-	0.6	1,626	-	0.5	-	-	-	-	-	-
prings	3,762	-	1.1	3,211	-	1.0	2,265	-	0.8	2,157	-	0.9
ecurity	4,957	-	1.5	4,412	-	1.4	3,419	-	1.2	2,935	-	1.2
USAF Academy												
	7,978	-	2.4	7,175	-	2.3	5,597	-	2.0	3,809	-	1.5
an	4,612	-	1.4	4,307	-	1.3	3,903	-	1.4	3,602	-	1.4
NTY	333,403	-	100.0	318,370	-	100.0	276,819	-	100.0	250,705	-	100.0

TOTAL ASSETS OF COMMERCIAL BANKS IN THE
CITY OF COLORADO SPRINGS AND EL PASO COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1966			June 1965			June 1964		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
olorado Commercial Bank	$ 12,174	5.9	5.6	$ 10,996	5.6	5.4	$ 9,617	5.2	5.1
olorado Springs National Bank	29,976	14.5	13.8	30,173	15.4	14.9	28,391	15.5	14.9
ast Colorado Springs National Bank (established 8/31/64)	2,796	1.3	1.3	1,773	0.9	0.9	-	-	-
xchange National Bank	46,408	22.4	21.4	43,827	22.4	21.6	44,306	24.1	23.3
irst National Bank of Colorado Springs	83,114	40.1	38.4	79,600	40.6	39.2	75,719	41.2	39.8
orthern National Bank (established 9/24/63)	3,981	1.9	1.8	3,356	1.7	1.6	2,489	1.4	1.3
estern National Bank (established 9/1/64)	2,657	1.3	1.2	1,879	1.0	0.9	-	-	-
ikes Peak National Bank (formerly Bank of Commerce)	5,915	2.9	2.7	5,539	2.8	2.7	5,487	3.0	2.9
cademy Boulevard Bank (established 1/18/66)	1,262	0.6	0.6	-	-	-	-	-	-
merican Heritage Bank & Trust Co. (formerly Southgate State Bank)	6,381	3.1	2.9	6,277	3.2	3.1	6,190	3.4	3.3
ank of Colorado (established 7/14/69)	-	-	-	-	-	-	-	-	-
entral Colorado Bank	12,651	6.1	5.8	12,417	6.3	6.1	11,418	6.2	6.0
TOTAL: COLORADO SPRINGS	207,315	100.0	95.7	195,837	100.0	96.5	183,617	100.0	96.4
ort Carson National Bank (established 3/13/67)	-	-	-	-	-	-	-	-	-
irst State Bank of Fountain (established 3/11/68)	-	-	-	-	-	-	-	-	-
ank of Manitou, Manitou Springs	2,144	-	1.0	2,098	-	1.0	2,117	-	1.1
ank of Fountain Valley, Security (established 7/8/63)	2,206	-	1.0	1,706	-	0.8	1,262	-	0.7
ir Academy National Bank, USAF Academy (established 6/15/66)	1,343	-	0.6	-	-	-	-	-	-
rmers State Bank of Calhan	3,600	-	1.7	3,346	-	1.6	3,383	-	1.8
TOTAL: EL PASO COUNTY	216,608	-	100.0	202,987	-	100.0	190,379	-	100.0

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TOTAL ASSETS OF COMMERCIAL BANKS IN THE
CITY OF COLORADO SPRINGS AND EL PASO COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1966			June 1965			June 1964			June 1963		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
	$ 12,174	5.9	5.6	$ 10,996	5.6	5.4	$ 9,617	5.2	5.1	$ 9,670	5.7	5.5
	29,976	14.5	13.8	30,173	15.4	14.9	28,391	15.5	14.9	28,264	16.5	15.9
ank												
	2,796	1.3	1.3	1,773	0.9	0.9	-	-	-	-	-	-
	46,408	22.4	21.4	43,827	22.4	21.6	44,306	24.1	23.3	40,955	24.0	23.1
Springs	83,114	40.1	38.4	79,600	40.6	39.2	75,719	41.2	39.8	69,823	40.9	39.4
	3,981	1.9	1.8	3,356	1.7	1.6	2,489	1.4	1.3	-	-	-
	2,657	1.3	1.2	1,879	1.0	0.9	-	-	-	-	-	-
	5,915	2.9	2.7	5,539	2.8	2.7	5,487	3.0	2.9	5,007	2.9	2.8
	1,262	0.6	0.6	-	-	-	-	-	-	-	-	-
o.												
	6,381	3.1	2.9	6,277	3.2	3.1	6,190	3.4	3.3	6,061	3.5	3.4
	-	-	-	-	-	-	-	-	-	-	-	-
	12,651	6.1	5.8	12,417	6.3	6.1	11,418	6.2	6.0	11,106	6.5	6.3
	207,315	100.0	95.7	195,837	100.0	96.5	183,617	100.0	96.4	170,886	100.0	96.4
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	2,144	-	1.0	2,098	-	1.0	2,117	-	1.1	2,134	-	1.2
y												
	2,206	-	1.0	1,706	-	0.8	1,262	-	0.7	1,126	-	0.6
Academy												
	1,343	-	0.6	-	-	-	-	-	-	-	-	-
	3,600	-	1.7	3,346	-	1.6	3,383	-	1.8	3,207	-	1.8
	216,608	-	100.0	202,987	-	100.0	190,379	-	100.0	177,353	-	100.0

TOTAL ASSETS OF COMMERCIAL BANKS IN THE CITY OF COLORADO SPRINGS AND EL PASO COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1962			June 1961			June 1960		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of Coun
Colorado Commercial Bank	$ 9,223	6.1	5.9	$ 8,817	6.7	6.4	$ 8,299	6.8	6.
Colorado Springs National Bank	24,346	16.1	15.5	21,763	16.4	15.9	22,196	18.2	17.
East Colorado Springs National Bank (established 8/31/64)	-	-	-	-	-	-	-	-	-
Exchange National Bank	34,846	23.0	22.0	33,113	25.0	24.1	32,135	26.3	25.
First National Bank of Colorado Springs	65,195	43.0	41.6	55,739	42.1	40.6	48,312	39.5	38.
Northern National Bank (established 9/24/63)	-	-	-	-	-	-	-	-	-
Western National Bank (established 9/1/64)	-	-	-	-	-	-	-	-	-
Pikes Peak National Bank (formerly Bank of Commerce)	3,776	2.5	2.4	3,150	2.4	2.3	2,673	2.2	2.
Academy Boulevard Bank (established 1/18/66)	-	-	-	-	-	-	-	-	-
American Heritage Bank & Trust Co. (formerly Southgate State Bank)	4,864	3.2	3.1	3,041	2.3	2.2	1,987	1.6	1.
Bank of Colorado (established 7/14/69)	-	-	-	-	-	-	-	-	-
Central Colorado Bank	9,404	6.2	6.0	6,823	5.2	5.0	6,669	5.5	5.
TOTAL: COLORADO SPRINGS	151,654	100.0	96.7	132,446	100.0	96.6	122,271	100.0	96.
Fort Carson National Bank (established 3/13/67)	-	-	-	-	-	-	-	-	-
First State Bank of Fountain (established 3/11/68)	-	-	-	-	-	-	-	-	-
Bank of Manitou, Manitou Springs	2,226	-	1.4	2,007	-	1.5	1,951	-	1.
Bank of Fountain Valley, Security (established 7/8/63)	-	-	-	-	-	-	-	-	-
Air Academy National Bank, USAF Academy (established 6/15/66)	-	-	-	-	-	-	-	-	-
Farmers State Bank of Calhan	3,014	-	1.9	2,707	-	2.0	2,663	-	2.
TOTAL: EL PASO COUNTY	156,894	-	100.0	137,160	-	100.0	126,885	-	100.

SOURCE: Polk's Bank Directory, September issue, various years.

TOTAL ASSETS OF COMMERCIAL BANKS IN THE
CITY OF COLORADO SPRINGS AND EL PASO COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1962			June 1961			June 1960		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
nl Bank	$ 9,223	6.1	5.9	$ 8,817	6.7	6.4	$ 8,299	6.8	6.5
National Bank	24,346	16.1	15.5	21,763	16.4	15.9	22,196	18.2	17.5
ings National Bank 1/64)	-	-	-	-	-	-	-	-	-
Bank	34,846	23.0	22.0	33,113	25.0	24.1	32,135	26.3	25.3
nk of Colorado Springs	65,195	43.0	41.6	55,739	42.1	40.6	48,312	39.5	38.1
Bank 4/63)	-	-	-	-	-	-	-	-	-
Bank /64)	-	-	-	-	-	-	-	-	-
al Bank f Commerce)	3,776	2.5	2.4	3,150	2.4	2.3	2,673	2.2	2.1
Bank 3/66)	-	-	-	-	-	-	-	-	-
Bank & Trust Co. te State Bank)	4,864	3.2	3.1	3,041	2.3	2.2	1,987	1.6	1.6
/69)	-	-	-	-	-	-	-	-	-
Bank	9,404	6.2	6.0	6,823	5.2	5.0	6,669	5.5	5.3
ORADO SPRINGS	151,654	100.0	96.7	132,446	100.0	96.6	122,271	100.0	96.4
al Bank 3/67)	-	-	-	-	-	-	-	-	-
f Fountain 1/68)	-	-	-	-	-	-	-	-	-
anitou Springs	2,226	-	1.4	2,007	-	1.5	1,951	-	1.5
alley, Security /63)	-	-	-	-	-	-	-	-	-
al Bank, USAF Academy 5/66)	-	-	-	-	-	-	-	-	-
of Calhan	3,014	-	1.9	2,707	-	2.0	2,663	-	2.1
PASO COUNTY	156,894	-	100.0	137,160	-	100.0	126,885	-	100.0

nk Directory, September issue, various years.

TOTAL DEPOSITS OF COMMERCIAL BANKS IN THE
CITY OF COLORADO SPRINGS AND EL PASO COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1970			June 1969			June 1968			June 1967		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
Colorado Commercial Bank	$ 14,597	5.4	5.0	$ 14,465	5.8	5.3	$ 14,552	6.4	6.0	$ 12,767	6.0	5.6
Colorado Springs National Bank	38,428	14.3	13.1	34,626	13.7	12.6	30,681	13.6	12.7	30,555	14.3	13.5
East Colorado Springs National Bank	7,417	2.8	2.5	6,185	2.5	2.3	4,015	1.8	1.7	2,971	1.4	1.3
Exchange National Bank	52,342	19.5	17.9	50,679	20.1	18.5	45,767	20.2	18.9	49,680	23.2	22.0
First National Bank of Colorado Springs	90,476	33.7	30.9	89,630	35.6	32.7	82,157	36.3	33.9	80,835	37.8	35.8
Northern National Bank	6,295	2.3	2.1	5,767	2.3	2.1	5,211	2.3	2.2	4,973	2.3	2.2
Western National Bank	5,520	2.1	1.9	4,973	2.0	1.8	3,959	1.7	1.6	2,856	1.3	1.3
Pikes Peak National Bank	7,510	2.8	2.6	7,076	2.8	2.6	6,742	3.0	2.8	6,136	2.9	2.7
Academy Boulevard Bank (established 1/18/66)	6,124	2.3	2.1	4,886	1.9	1.8	3,223	1.4	1.3	1,496	0.7	0.7
American Heritage Bank & Trust Co. (formerly Southgate State Bank)	12,741	4.8	4.3	13,989	5.6	5.1	13,599	6.0	5.6	7,866	3.7	3.5
Bank of Colorado (established 7/14/69)	1,354	0.5	0.5	-	-	-	-	-	-	-	-	-
Central Colorado Bank	25,322	9.4	8.6	19,738	7.8	7.2	16,413	7.3	6.8	13,680	6.4	6.1
TOTAL: COLORADO SPRINGS	268,121	100.0	91.5	252,016	100.0	92.1	226,319	100.0	93.5	213,815	100.0	94.6
Fort Carson National Bank (established 3/13/67)	4,404	-	1.5	3,544	-	1.3	2,581	-	1.1	1,095	-	0.5
First State Bank of Fountain (established 3/11/68)	1,799	-	0.6	1,262	-	0.5	-	-	-	-	-	-
Bank of Manitou, Manitou Springs	3,301	-	1.1	2,848	-	1.0	1,972	-	0.8	1,880	-	0.8
Bank of Fountain Valley, Security	4,317	-	1.5	3,839	-	1.4	2,977	-	1.2	2,567	-	1.1
Air Academy National Bank, USAF Academy (established 6/15/66)	6,986	-	2.4	6,208	-	2.3	4,747	-	2.0	3,454	-	1.5
Farmers State Bank of Calhan	4,196	-	1.4	3,934	-	1.4	3,562	-	1.5	3,300	-	1.5
TOTAL: EL PASO COUNTY	293,124	-	100.0	273,651	-	100.0	242,158	-	100.0	226,111	-	100.0

TOTAL DEPOSITS OF COMMERCIAL BANKS IN THE CITY OF COLORADO SPRINGS AND EL PASO COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1966			June 1965			June 1964			June 1963		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
Colorado Commercial Bank	$ 10,914	5.8	5.6	$ 9,367	5.3	5.1	$ 8,649	5.2	5.0	$ 8,763	5.6	5.4
Colorado Springs National Bank	27,122	14.5	14.0	27,171	15.4	14.9	26,006	15.6	15.0	26,015	16.7	16.1
East Colorado Springs National Bank (established 8/31/64)	2,212	1.2	1.1	1,208	0.7	0.7	-	-	-	-	-	-
Exchange National Bank	42,133	22.5	21.7	39,834	22.5	21.8	40,678	24.4	23.5	37,663	24.2	23.3
First National Bank of Colorado Springs	76,394	40.9	39.4	73,408	41.5	40.1	69,019	41.4	39.9	64,707	41.5	40.0
Northern National Bank (established 9/24/63)	3,468	1.9	1.8	2,805	1.6	1.5	2,078	1.2	1.2	-	-	-
Western National Bank (established 9/1/64)	2,095	1.1	1.1	1,369	0.8	0.7	-	-	-	-	-	-
Pikes Peak National Bank (formerly Bank of Commerce)	5,343	2.9	2.8	4,940	2.8	2.7	4,620	2.8	2.7	4,372	2.8	2.7
Academy Boulevard Bank (established 1/18/66)	729	0.4	0.4	-	-	-	-	-	-	-	-	-
American Heritage Bank & Trust Co. (formerly Southgate State Bank)	5,564	3.0	2.9	5,539	3.1	3.0	5,482	3.3	3.2	5,584	3.6	3.5
Bank of Colorado (established 7/14/69)	-	-	-	-	-	-	-	-	-	-	-	-
Central Colorado Bank	10,988	5.9	5.7	11,101	6.3	6.1	10,309	6.2	6.0	8,763	5.6	5.4
TOTAL: COLORADO SPRINGS	186,962	100.0	96.3	176,742	100.0	96.6	166,841	100.0	96.5	155,867	100.0	96.4
Fort Carson National Bank (established 3/13/67)	-	-	-	-	-	-	-	-	-	-	-	-
First State Bank of Fountain (established 3/11/68)	-	-	-	-	-	-	-	-	-	-	-	-
Bank of Manitou, Manitou Springs	1,887	-	1.0	1,748	-	1.0	1,866	-	1.1	1,896	-	1.2
Bank of Fountain Valley, Security (established 7/8/63)	1,840	-	0.9	1,407	-	0.8	1,027	-	0.6	972	-	0.6
Air Academy National Bank, USAF Academy (established 6/15/66)	104	-	0.1	-	-	-	-	-	-	-	-	-
Farmers State Bank of Calhan	3,296	-	1.7	3,060	-	1.7	3,122	-	1.8	2,962	-	1.8
TOTAL: EL PASO COUNTY	194,089	-	100.0	182,957	-	100.0	172,856	-	100.0	161,697	-	100.0

TOTAL DEPOSITS OF COMMERCIAL BANKS IN THE
CITY OF COLORADO SPRINGS AND EL PASO COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1962			June 1961			June 1960		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
Colorado Commercial Bank	$ 8,394	6.0	5.8	$ 8,017	6.6	6.4	$ 7,497	6.7	6.5
Colorado Springs National Bank	22,371	16.0	15.5	19,900	16.4	15.9	20,392	18.3	17.7
East Colorado Springs National Bank (established 8/31/64)	-	-	-	-	-	-	-	-	-
Exchange National Bank	32,029	22.9	22.1	30,404	25.1	24.3	29,519	26.5	25.6
First National Bank of Colorado Springs	60,787	43.5	42.0	51,306	42.4	40.9	44,097	39.7	38.2
Northern National Bank (established 9/24/63)	-	-	-	-	-	-	-	-	-
Western National Bank (established 9/1/64)	-	-	-	-	-	-	-	-	-
Pikes Peak National Bank (formerly Bank of Commerce)	3,217	2.3	2.2	2,670	2.2	2.1	2,208	2.0	1.9
Academy Boulevard Bank (established 1/18/66)	-	-	-	-	-	-	-	-	-
American Heritage Bank & Trust Co. (formerly Southgate State Bank)	4,434	3.2	3.1	2,654	2.2	2.1	1,518	1.4	1.3
Bank of Colorado (established 7/14/69)	-	-	-	-	-	-	-	-	-
Central Colorado Bank	8,669	6.2	6.0	6,155	5.1	4.9	5,968	5.4	5.2
TOTAL: COLORADO SPRINGS	139,901	100.0	96.7	121,106	100.0	96.7	111,199	100.0	96.4
Fort Carson National Bank (established 3/13/67)	-	-	-	-	-	-	-	-	-
First State Bank of Fountain (established 3/11/68)	-	-	-	-	-	-	-	-	-
Bank of Manitou, Manitou Springs	2,000	-	1.4	1,794	-	1.4	1,716	-	1.5
Bank of Fountain Valley, Security (established 7/8/63)	-	-	-	-	-	-	-	-	-
Air Academy National Bank, USAF Academy (established 6/15/666)	-	-	-	-	-	-	-	-	-
Farmers State Bank of Calhan	2,785	-	1.9	2,399	-	1.9	2,456	-	2.1
TOTAL: EL PASO COUNTY	144,686	-	100.0	125,299	-	100.0	115,371	-	100.0

SOURCE: Polk's Bank Directory, September issue, various years.

TOTAL LOANS AND DISCOUNTS OF COMMERCIAL BANKS IN THE CITY OF COLORADO SPRINGS AND EL PASO COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1970			June 1969			June 1968			June 1967		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
Colorado Commercial Bank	$ 9,712	6.0	5.4	$ 258	0.2	0.2	$ 8,350	6.1	5.6	$ 6,721	5.6	5.3
Colorado Springs National Bank	24,132	14.8	13.5	20,257	13.3	12.2	17,054	12.4	11.5	14,873	12.4	11.7
East Colorado Springs National Bank	5,171	3.2	2.9	4,899	3.2	2.9	2,896	2.1	2.0	2,373	2.0	1.9
Exchange National Bank	29,215	18.0	16.4	32,973	21.7	19.8	26,368	19.1	17.8	23,320	19.5	18.4
First National Bank of Colorado Springs	57,743	35.5	32.4	59,547	39.1	35.8	53,266	38.7	35.9	47,025	39.3	37.1
Northern National Bank	2,880	1.8	1.6	2,676	1.8	1.6	2,362	1.7	1.6	2,754	2.3	2.2
Western National Bank	4,577	2.8	2.6	3,930	2.6	2.4	3,102	2.3	2.1	2,062	1.7	1.6
Pikes Peak National Bank	4,842	3.0	2.7	4,700	3.1	2.8	4,700	3.4	3.2	4,117	3.4	3.2
Academy Boulevard Bank (established 1/18/66)	3,171	2.0	1.8	2,752	1.8	1.7	2,234	1.6	1.5	1,150	1.0	0.9
American Heritage Bank & Trust Co. (formerly Southgate State Bank)	5,705	3.5	3.2	5,731	3.8	3.4	5,357	3.9	3.6	5,037	4.2	4.0
Bank of Colorado (established 7/14/69)	1,057	0.7	0.6	-	-	-	-	-	-	-	-	-
Central Colorado Bank	14,392	8.9	8.1	14,415	9.5	8.7	12,122	8.8	8.2	10,302	8.6	8.1
TOTAL: COLORADO SPRINGS	162,597	100.0	91.3	152,138	100.0	91.5	137,811	100.0	93.0	119,734	100.0	94.4
Fort Carson National Bank (established 3/13/67)	2,386	-	1.3	1,901	-	1.1	1,444	-	1.0	700	-	0.6
First State Bank of Fountain (established 3/11/68)	891	-	0.5	839	-	0.5	-	-	-	-	-	-
Bank of Manitou, Manitou Springs	2,252	-	1.3	1,433	-	0.9	1,244	-	0.8	1,143	-	0.9
Bank of Fountain Valley, Security	1,802	-	1.0	2,159	-	1.3	1,329	-	0.9	1,246	-	1.0
Air Academy National Bank, USAF Academy (established 6/15/66)	5,319	-	3.0	5,270	-	3.2	3,934	-	2.7	1,807	-	1.4
Farmers State Bank of Calhan	2,957	-	1.7	2,509	-	1.5	2,449	-	1.7	2,232	-	1.8
TOTAL: EL PASO COUNTY	178,204	-	100.0	166,249	-	100.0	148,211	-	100.0	126,862	-	100.0

TOTAL LOANS AND DISCOUNTS OF COMMERCIAL BANKS IN THE CITY OF COLORADO SPRINGS AND EL PASO COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1966			June 1965			June 1964			June 1963		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
Colorado Commercial Bank	$ 5,863	5.3	5.1	$ 5,550	5.5	5.3	$ 5,361	5.9	5.7	$ 5,346	6.7	6.4
Colorado Springs National Bank	15,136	13.6	13.1	14,747	14.6	14.1	12,327	13.7	13.1	12,046	15.2	14.5
East Colorado Springs National Bank (established 8/31/64)	2,014	1.8	1.7	1,210	1.2	1.2	-	-	-	-	-	-
Exchange National Bank	22,615	20.3	19.6	22,244	22.0	21.2	20,489	22.7	21.8	18,577	23.4	22.3
First National Bank of Colorado Springs	45,602	41.0	39.5	39,484	39.1	37.6	36,687	40.7	39.0	31,456	39.6	37.8
Northern National Bank (established 9/24/63)	2,433	2.2	2.1	2,034	2.0	1.9	1,275	1.4	1.4	-	-	-
Western National Bank (established 9/1/64)	1,784	1.6	1.5	1,082	1.1	1.0	-	-	-	-	-	-
Pikes Peak National Bank (formerly Bank of Commerce)	2,558	2.3	2.2	2,745	2.7	2.6	2,805	3.1	3.0	2,204	2.8	2.7
Academy Boulevard Bank (established 1/18/66)	645	0.6	0.6	-	-	-	-	-	-	-	-	-
American Heritage Bank & Trust Co. (formerly Southgate State Bank)	3,993	3.6	3.5	3,768	3.7	3.6	4,095	4.5	4.4	2,909	3.7	3.5
Bank of Colorado (established 7/14/69)	-	-	-	-	-	-	-	-	-	-	-	-
Central Colorado Bank	8,580	7.7	7.4	8,074	8.0	7.7	7,200	8.0	7.7	6,908	8.7	8.3
TOTAL: COLORADO SPRINGS	111,223	100.0	96.3	100,938	100.0	96.2	90,239	100.0	95.9	79,446	100.0	95.6
Fort Carson National Bank (established 3/13/67)	-	-	-	-	-	-	-	-	-	-	-	-
First State Bank of Fountain (established 3/11/68)	-	-	-	-	-	-	-	-	-	-	-	-
Bank of Manitou, Manitou Springs	1,139	-	1.0	1,167	-	1.1	1,248	-	1.3	1,118	-	1.3
Bank of Fountain Valley, Security (established 7/5/63)	979	-	0.8	689	-	0.7	707	-	0.8	800	-	1.0
Air Academy National Bank, USAF Academy (established 6/15/66)	58	-	0.1	-	-	-	-	-	-	-	-	-
Farmers State Bank of Calhan	2,139	-	1.8	2,103	-	2.0	1,876	-	2.0	1,779	-	2.1
TOTAL: EL PASO COUNTY	115,538	-	100.0	104,897	-	100.0	94,070	-	100.0	83,143	-	100.0

TOTAL LOANS AND DISCOUNTS OF COMMERCIAL BANKS IN THE CITY OF COLORADO SPRINGS AND EL PASO COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1962			June 1961			June 1960		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
Colorado Commercial Bank	$ 4,852	6.9	6.6	$ 4,570	7.7	7.4	$ 4,452	7.6	7.3
Colorado Springs National Bank	9,764	13.8	13.3	8,224	13.8	13.3	8,686	14.9	14.3
East Colorado Springs National Bank (established 8/31/64)	-	-	-	-	-	-	-	-	-
Exchange National Bank	16,575	23.5	22.6	13,301	22.3	21.4	14,692	25.2	24.1
First National Bank of Colorado Springs	29,715	42.1	40.5	26,617	44.7	42.9	24,646	42.2	40.5
Northern National Bank (established 9/24/63)	-	-	-	-	-	-	-	-	-
Western National Bank (established 9/1/64)	-	-	-	-	-	-	-	-	-
Pikes Peak National Bank (formerly Bank of Commerce)	1,845	2.6	2.5	1,487	2.5	2.4	1,133	1.9	1.9
Academy Boulevard Bank (established 1/18/66)	-	-	-	-	-	-	-	-	-
American Heritage Bank & Trust Co. (formerly Southgate State Bank)	1,997	2.8	2.7	1,534	2.6	2.5	1,060	1.8	1.7
Bank of Colorado (established 7/14/69)	-	-	-	-	-	-	-	-	-
Central Colorado Bank	5,791	8.2	7.9	3,850	6.5	6.2	3,764	6.4	6.2
TOTAL: COLORADO SPRINGS	70,539	100.0	96.1	59,583	100.0	96.0	58,433	100.0	96.0
Fort Carson National Bank (established 3/13/67)	-	-	-	-	-	-	-	-	-
First State Bank of Fountain (established 3/11/68)	-	-	-	-	-	-	-	-	-
Bank of Manitou, Manitou Springs	1,138	-	1.6	1,028	-	1.7	918	-	1.5
Bank of Fountain Valley, Security (established 7/8/63)	-	-	-	-	-	-	-	-	-
Air Academy National Bank, USAF Academy (established 6/15/66)	-	-	-	-	-	-	-	-	-
Farmers State Bank of Calhan	1,739	-	2.4	1,468	-	2.4	1,487	-	2.4
TOTAL: EL PASO COUNTY	73,416	-	100.0	62,079	-	100.0	60,838	-	100.0

SOURCE: Polk's Bank Directory, September issue, various years.

Plaintiff's Exhibit 149

City of Colorado Springs
Total Population: 1960-1970

Date	Population
January 1, 1960	70,194
January 1, 1961	72,000
January 1, 1962	75,000
January 1, 1963	77,000
January 1, 1964	85,000
January 1, 1965	90,000
January 1, 1966	97,500
January 1, 1967	103,000
January 1, 1968	118,500
January 1, 1969	128,500
April 1, 1970	135,060

Source: For years 1960-1969—Estimates of Colorado State Planning Office (April 1969). For 1970—U. S. Census, Final Population Count (4/1/70).

Plaintiff's Exhibit 150

Gross Sales, 1960-1970
El Paso County and Colorado Springs

	El Paso County			Colorado Springs		
Fiscal Year	Gross Sales (in millions)	% Yearly Increase	% Increase Since 1960	Gross Sales (in millions)	% Yearly Increase	% Increase Since 1961
1960	$276.8	—	—	NA	—	—
1961	280.5	1.3	1.3	$271.4	—	—
1962	299.8	6.9	8.3	298.3	9.9	9.9
1963	388.8	29.7	40.5	378.1	26.8	39.3
1964	368.4	(5.2)	33.1	356.3	(5.8)	31.3
1965	415.7	12.8	50.2	399.6	12.2	47.2
1966	443.0	6.6	60.0	426.8	6.8	57.3
1967	466.1	5.2	68.4	447.7	4.9	65.0
1968	546.1	17.2	97.3	526.3	17.6	93.9
1969	617.2	13.0	123.0	593.4	12.7	118.6
1970	681.5	10.4	146.2	655.4	10.4	141.5

Source: Department of Revenue, State of Colorado, Research and Statistics Section.

Plaintiff's Exhibit 151

Retail Sales, 1960-1970
El Paso County and Colorado Springs

Fiscal Year	El Paso County Retail Sales (in millions)	% Yearly Increase	% Increase Since 1960	Colorado Springs Retail Sales (in millions)	% Yearly Increase	% Increase Since 1961
1960	$225.7	—	—	NA	—	—
1961	224.6	(.5)	(.5)	$216.6	—	—
1962	250.8	11.7	11.1	240.8	11.2	11.2
1963	282.2	12.5	25.0	272.6	13.2	25.9
1964	316.6	12.2	40.1	305.1	11.9	40.9
1965	369.6	16.7	63.8	354.2	16.1	63.5
1966	384.1	3.9	70.2	368.5	4.0	70.1
1967	406.5	5.8	80.1	388.9	5.5	79.5
1968	476.0	17.1	110.9	457.1	17.5	111.0
1969	531.8	11.7	135.6	508.8	11.3	134.9
1970	584.7	9.9	159.1	559.4	9.9	158.3

Source: Department of Revenue, State of Colorado, Research and Statistics Section.

Plaintiff's Exhibit 152

City of Colorado Springs
Electricity Sales, 1960-1970 [1]

Year	Number of Electricity Consumers	% Yearly Increase	% Increase Since 1960	Kilowatt Hours Consumed	% Yearly Increase	% Increase Since 1960
1960	38,582	—	—	327,789,062	—	—
1961	39,804	3.2	3.2	354,718,719	8.2	8.2
1962	41,759	4.9	8.2	390,191,317	10.0	19.0
1963	44,150	5.7	14.4	433,210,028	11.0	32.2
1964	47,111	6.7	22.1	402,409,198	(7.1)	22.8
1965	49,417	4.9	28.1	473,969,560	17.8	44.6
1966	51,169	3.5	32.6	575,392,816	21.4	75.5
1967	53,638	4.8	39.0	586,851,358	2.0	79.0
1968	57,179	6.6	48.2	670,039,862	14.2	104.4
1969	60,230	5.3	56.1	836,538,737	24.8	155.2
1970	63,944	6.2	65.7	941,234,223	12.5	187.1

Source: City of Colorado Springs, Department of Public Utilities.

[1] Figures given are total customers and electricity sales of the Department of Public Utilities of the City of Colorado Springs. A small percentage of these figures represent sales made outside the geographic limits of the City of Colorado Springs.

Plaintiff's Exhibit 153

ity of Colorado Springs Gas Sales, 1960-1970 [1]

Year	Number of Gas Consumers	% Yearly Increase	% Increase Since 1960	Volume for Year (In MCF)*	% Yearly Increase	% Increase Since 1960
1960	36,015	—	—	12,870,807.9	—	—
1961	37,303	3.6	3.6	13,762,152.6	6.9	6.9
1962	39,058	4.7	8.4	13,693,285.4	(0.5)	6.4
1963	40,443	3.5	12.3	13,668,201.2	(0.2)	6.2
1964	42,945	6.2	19.2	15,890,483.3	16.3	23.5
1965	45,116	5.1	25.3	16,292,509.9	2.5	26.6
1966	46,661	3.4	29.6	16,786,003.7	3.0	30.4
1967	48,741	4.5	35.3	18,267,374.0	8.8	41.9
1968	50,996	4.6	41.6	19,327,768.1	5.8	50.2
1969	53,244	4.4	47.8	17,350,327.7	(10.2)	34.8
1970	55,973	5.1	55.4	18,419,387.8	6.2	43.1

Source: City of Colorado Springs, Department of Public Utilities.

* MCF = thousand cubic feet.

[1] Figures given are total customers and gas sales of the Department of Public Utilities of the City of Colorado Springs. A small percentage of these figures represent sales made outside the geographic limits of the City of Colorado Springs.

CITY OF COLORADO SPRINGS
WATER STATISTICS, 1961-1970

Year	Number of Accounts at Year End	% Annual Increase	% Increase Since 1961	Metered Sales of Water (In 100 cubic feet)	% Annual Increase	% Increase Since 1961
1961	27,202	-	-	8,495,472	-	-
1962	28,132	4.2	4.2	12,604,438	48.4	48.4
1963	29,348	4.2	8.6	11,377,233	(9.7)	33.9
1964	31,047	5.8	14.9	12,951,951	13.8	52.5
1965	32,475	4.6	20.2	11,652,054	(10.0)	37.2
1966	36,036	11.0	33.4	13,759,223	18.1	62.0
1967	37,361	4.2	39.0	13,746,362	(0.1)	61.8
1968	39,238	4.5	45.2	16,558,540	20.5	94.9
1969	41,095	4.7	52.1	15,790,513	(4.6)	85.9
1970	43,241	5.2	60.0	18,573,192	17.6	118.6

SOURCE: City of Colorado Springs
Department of Public Utilities

CITY OF COLORADO SPRINGS

BUILDING PERMITS ISSUED FOR RESIDENTIAL BUILDINGS, 1960 - 1970

Year	Single Family Units [1]		Apartment Units [2]	
	Number	Construction Cost	Number	Construction Cost
1960	555	$ 6,751,865	NA	$ 1,348,000
1961	645	8,202,834	NA	55,000
1962	1,036	12,812,436	NA	1,265,000
1963	1,153	13,866,348	NA	1,019,700
1964	1,454	17,646,601	626	3,438,890
1965	1,255	15,746,051	723	4,748,480
1966	1,283	16,128,905	520	3,931,996
1967	2,091	24,537,826	1,790	9,468,772
1968	2,304	28,536,863	2,017	14,596,304
1969	2,203	29,288,388	1,677	11,271,528

1/ Data pertain to new residences.

2/ Data pertain to duplexes and apartment buildings.

SOURCE: Colorado State Planning Office.

PLAINTIFF'S EXHIBIT 156

EL PASO COUNTY
COMMERCIAL EMPLOYMENT (1959-1969)

Year	Commercial Employment	% Increase Since 1959
1959	24,258	—
1962	26,634	9.8%
1964	28,300	16.7
1965	30,296	24.9
1966	33,617	38.6
1967	35,319	45.6
1968	37,380	54.1
1969	40,992	69.0

Source: Colorado State Planning Office, Capital Annex, Denver, Colorado.

PLAINTIFF'S EXHIBIT 157

EL PASO COUNTY
TOTAL PERSONAL INCOME, 1929-1968
(THOUSANDS OF DOLLARS)

Year	Personal Income	% Increase Since 1959
1929	$ 38,072	—
1940	29,087	—
1950	111,515	—
1959	300,735	—
1962	379,330	26.1%
1965	472,148	57.0
1966	517,499	72.1
1967	614,072	104.2
1968	700,775	133.0

Source: U.S. Department of Commerce, Office of Business Economics.

El Paso County:
Earnings by Industrial Sector, 1950-1968
(Thousands of Dollars)

	1950	1959	1962	1965	1966	1967
al Earnings	$88,131	$241,492	$302,758	$381,860	$419,381	$501,648
rm Earnings	3,952	2,725	2,699	4,118	4,688	4,752
tal Nonfarm Earnings	84,179	238,767	300,059	377,742	414,693	496,896
Government Earnings	26,673	97,734	139,418	176,223	201,646	261,368
Total Federal	21,964	86,751	125,105	157,054	182,226	239,821
Federal Civilian	2,760	21,348	28,210	34,523	39,780	44,330
Military	19,204	65,403	96,895	122,531	142,446	195,491
State and Local	4,709	10,983	14,313	19,169	19,420	21,547
Private Nonfarm Earnings	57,506	141,033	160,641	201,519	213,047	235,528
Manufacturing	6,048	17,879	23,258	26,754	35,312	39,132
Mining	1,301	1,411	740	659	610	559
Contract Construction	7,973	23,322	21,372	31,096	27,661	30,218
Transportation, Communication, and Public Utilities	5,415	11,056	12,825	16,932	18,432	21,381
Wholesale and Retail Trade	16,929	34,784	40,547	51,767	53,637	57,264
Finance, Insurance, and Real Estate	3,486	11,173	12,850	15,550	16,686	18,069
Services	16,067	40,884	48,671	58,475	60,400	68,607
Other	287	524	378	286	309	298

CE: U.S. Department of Commerce, Office of Business Economics.

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El Paso County:
Earnings by Industrial Sector, 1950-1968
(Thousands of Dollars)

	1950	1959	1962	1965	1966	1967	1968
	$88,131	$241,492	$302,758	$381,860	$419,381	$501,648	$568,255
	3,952	2,725	2,699	4,118	4,688	4,752	5,991
Earnings	84,179	238,767	300,059	377,742	414,693	496,896	562,264
Earnings	26,673	97,734	139,418	176,223	201,646	261,368	302,978
eral	21,964	86,751	125,105	157,054	182,226	239,821	280,748
Civilian	2,760	21,348	28,210	34,523	39,780	44,330	50,052
y	19,204	65,403	96,895	122,531	142,446	195,491	230,696
Local	4,709	10,983	14,313	19,169	19,420	21,547	22,230
farm Earnings	57,506	141,033	160,641	201,519	213,047	235,528	259,286
ring	6,048	17,879	23,258	26,754	35,312	39,132	43,873
	1,301	1,411	740	659	610	559	709
Construction	7,973	23,322	21,372	31,096	27,661	30,218	32,104
ation, Communication,							
ic Utilities	5,415	11,056	12,825	16,932	18,432	21,381	23,808
and Retail Trade	16,929	34,784	40,547	51,767	53,637	57,264	63,086
Insurance,							
Estate	3,486	11,173	12,850	15,550	16,686	18,069	20,100
	16,067	40,884	48,671	58,475	60,400	68,607	75,164
	287	524	378	286	309	298	442

epartment of Commerce, Office of Business Economics.

El Paso County:
Earnings by Industrial Sector, 1950-1968
(Percent of Total Earnings)

	1950	1959	1962	1965	1966	1967
Total Earnings	100.00	100.00	100.00	100.00	100.00	100.00
Farm Earnings	4.48	1.13	.89	1.08	1.12	.95
Total Nonfarm Earnings	95.52	98.87	99.11	98.92	98.88	99.05
Government Earnings	30.27	40.47	46.05	46.15	48.08	52.10
Total Federal	24.92	35.92	41.32	41.13	43.45	47.81
Federal Civilian	3.13	8.84	9.32	9.04	9.49	8.84
Military	21.79	27.08	32.00	32.09	33.97	38.97
State and Local	5.34	4.55	4.73	5.02	4.63	4.30
Private Nonfarm Earnings	65.25	58.40	53.06	52.77	50.80	46.95
Manufacturing	6.86	7.40	7.68	7.01	8.42	7.80
Mining	1.48	.58	.24	.17	.15	.11
Contract Construction	9.05	9.66	7.06	8.14	6.60	6.02
Transportation, Communication, and Public Utilities	6.14	4.58	4.24	4.43	4.40	4.26
Wholesale and Retail Trade	19.21	14.40	13.39	13.56	12.79	11.42
Finance, Insurance, and Real Estate	3.96	4.63	4.24	4.07	3.98	3.60
Services	18.23	16.93	16.08	15.31	14.40	13.68
Other	.33	.22	.12	.07	.07	.06

SOURCE: U.S. Department of Commerce, Office of Business Economics.

El Paso County:
Earnings by Industrial Sector, 1950-1968
(Percent of Total Earnings)

	1950	1959	1962	1965	1966	1967	1968
	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	4.48	1.13	.89	1.08	1.12	.95	1.05
Earnings	95.52	98.87	99.11	98.92	98.88	99.05	98.95
Earnings	30.27	40.47	46.05	46.15	48.08	52.10	53.32
eral	24.92	35.92	41.32	41.13	43.45	47.81	49.41
Civilian	3.13	8.84	9.32	9.04	9.49	8.84	8.81
y	21.79	27.08	32.00	32.09	33.97	38.97	40.60
Local	5.34	4.55	4.73	5.02	4.63	4.30	3.91
farm Earnings	65.25	58.40	53.06	52.77	50.80	46.95	45.63
ring	6.86	7.40	7.68	7.01	8.42	7.80	7.72
	1.48	.58	.24	.17	.15	.11	.12
Construction	9.05	9.66	7.06	8.14	6.60	6.02	5.65
ation, Communication,							
ic Utilities	6.14	4.58	4.24	4.43	4.40	4.26	4.19
and Retail Trade	19.21	14.40	13.39	13.56	12.79	11.42	11.10
Insurance,							
Estate	3.96	4.63	4.24	4.07	3.98	3.60	3.54
	18.23	16.93	16.08	15.31	14.40	13.68	13.23
	.33	.22	.12	.07	.07	.06	.08

Department of Commerce, Office of Business Economics.

Plaintiff's Exhibit 159

Motor Vehicle Registrations, El Paso County, Colorado, 1960-1970

Year	Number	% Annual Increase	% Increase Since 1960	Receipts	% Annual Increase	% Increase Since 1960
1960	72,741	—	—	$ 585,020.78	—	—
1961	75,071	3.2	3.2	596,373.43	1.9	1.9
1962	81,813	9.0	12.5	639,328.79	7.2	9.3
1963	90,510	10.6	24.4	566,569.40	−11.4	−3.2
1964	98,914	9.3	36.0	766,445.03	35.3	31.0
1965	107,862	9.0	48.3	831,730.07	8.5	42.2
1966	113,199	4.9	55.6	875,525.85	5.3	49.7
1967	119,177	5.3	63.8	915,306.14	4.5	56.5
1968	127,415	6.9	75.2	980,809.88	7.2	67.7
1969	138,263	8.5	90.1	1,058,041.72	7.9	80.9
1970	150,909	9.1	107.5	1,477,476.66	39.6	147.4

Source: Department of Revenue, State of Colorado, Motor Vehicle Division, 140 West 6th Street, Denver, Colorado.

Plaintiff's Exhibit 160

Value of Commercial Construction In El Paso County, 1960-1969

Year	Value
1960	$ 2,639,118
1961	4,232,470
1962	5,518,288
1963	8,592,567
1964	8,406,160
1965	11,009,533
1966	6,644,642
1967	7,010,262
1968	8,765,785
1969	11,277,718
TOTAL:	$103,844,256

Source: Colorado State Planning Office, Capital Annex, Denver, Colorado.

PLAINTIFF'S EXHIBIT 161

EL PASO COUNTY
VALUE OF ALL BUILDING CONSTRUCTION
1960-1969

Year	Value
1960	$ 21,664,012
1961	26,644,946
1962	40,266,328
1963	42,279,122
1964	55,086,745
1965	63,532,410
1966	43,720,333
1967	51,489,516
1968	78,047,012
1969	75,728,567
TOTAL	$498,458,991

Source: Colorado State Planning Office, Capital Annex, Denver, Colorado.

PLAINTIFF'S EXHIBIT 162

EL PASO COUNTY
NUMBER OF MAIN TELEPHONES IN SERVICE, 1960-1970

Year	Number of Main Telephones In Service at Year End	% Annual Increase	% Increase Since 1960
1960	40,442	—	—
1961	41,605	2.9	2.9
1962	44,692	7.4	10.5
1963	46,872	4.9	15.9
1964	50,688	8.1	25.3
1965	53,472	5.5	32.2
1966	56,820	6.3	40.5
1967	62,595	10.2	54.8
1968	68,005	8.6	68.2
1969	74,978	10.3	85.4
1970	80,652	7.6	99.4

Source: Mountain States Telephone Company, Denver, Colorado.

Value Added by Manufacture for El Paso County, Colorado, and the United States - 1958, 1963, and 1967

	Amount ($1,000)			Percentage Change (%	
	1958	1963	1967	1958 to 1963	1963 to 1967
Paso County	$ 25,709	$ 34,531	$ 69,800	34.3	102.1
lorado	781,943	1,193,828	1,508,800	52.7	26.4
ted States	141,540,618	192,247,900	262,357,800	35.8	36.5

RCE: U.S. Bureau of the Census.

El Paso County: Data for 1958 and 1963 are found in the 1963 Census of Manufactures, Volume III - Area S while 1967 data are found in the 1967 Census of Manufactures, Area Series - Colorado (MC67(P)-S6).

Colorado: Data for 1958 are found in the 1963 Census of Manufactures, Volume III - Area Statistics, whil for 1963 and 1967 are found in the 1967 Census of Manufactures, Summary Series - General Statistics Geographic Divisions and States (MC67(p)-5).

United States: Data for 1958 are found in the 1963 Census of Manufactures, Volume I - Summary and Subje while data for 1963 and 1967 are found in the 1967 Census of Manufactures, Summary Series - General for Geographic Divisions and States (MC67(P)-5).

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Value Added by Manufacture for El Paso Co
the United States - 1958, 1963,

Amount ($1,000)		
1958	1963	1967
$ 25,709	$ 34,531	$ 69,800
781,943	1,193,828	1,508,800
141,540,618	192,247,900	262,357,800

u of the Census.

so County: Data for 1958 and 1963 are found in the 1963 Ce
while 1967 data are found in the 1967 Census of Manufacture

ado: Data for 1958 are found in the 1963 Census of Manufac
for 1963 and 1967 are found in the 1967 Census of Manufactu
Geographic Divisions and States (MC67(p)-5).

d States: Data for 1958 are found in the 1963 Census of Ma
while data for 1963 and 1967 are found in the 1967 Census o
for Geographic Divisions and States (MC67(P)-5).

unty, Colorado, and
and 1967

Percentage Change (%)		
1958 to 1963	1963 to 1967	1958 to 1967
34.3	102.1	171.5
52.7	26.4	93.0
35.8	36.5	85.4

nsus of Manufactures, Volume III - Area Statistics,
s, Area Series - Colorado (MC67(P)-S6).

tures, Volume III - Area Statistics, while data
res, Summary Series - General Statistics for

nufactures, Volume I - Summary and Subject Statistics,
f Manufactures, Summary Series - General Statistics

PLAINTIFF'S EXHIBIT 164

APPLICATION

To the Board of Governors of The Federal Reserve System

by

THE FIRST NATIONAL BANCORPORATION, INC.

(Name of Applicant)

621 SEVENTEENTH STREET,
DENVER, COLORADO 80202

(Address)

FOR PRIOR APPROVAL OF ACQUISITION OF BANK SHARES PURSUANT TO SECTION 3 (A) (3) OF THE BANK HOLDING COMPANY ACT OF 1956, AS AMENDED

APPLICATION

FOR PRIOR APPROVAL OF ACQUISITION OF BANK SHARES PURSUANT TO SECTION 3 (A) (3) OF THE BANK HOLDING COMPANY ACT OF 1956, AS AMENDED

HE FIRST NATIONAL BANCORPORATION, INC.

(Name of Applicant)

reinafter called the Applicant), a Corporation orga-ed under the laws of Colorado, and having its principal ce of business at Denver, Colorado, hereby applies to Board of Governors of the Federal Reserve System reinafter called the Board), pursuant to section 3 (a) of the Bank Holding Company Act of 1956, as amended, prior approval by the Board of the acquisition by the plicant of direct or indirect ownership, control, or power vote, of 80% or more of the voting shares of:

THE NATIONAL STATE BANK OF BOULDER

(Name of Bank)

1242 PEARL STREET
BOULDER, COLORADO 80302

(Address)

reinafter called Bank).

For the purpose of obtaining the Board's prior approval of the acquisition of direct or indirect ownership, control, or power to vote, of such voting shares, the Applicant submits herewith as part of this application the following Exhibits prepared in accordance with the General Information and Instructions on pages 4 and 5:

EXHIBIT A—Resolution of Board of Directors
EXHIBIT B—Description of Proposed Transaction
EXHIBIT C—Financial History and Condition, Management and Future Prospects of Applicant
EXHIBIT D—Financial History and Condition, Management, and Future Prospects of Bank
EXHIBIT E—Description of Bank's Operations
EXHIBIT F—Description of Bank's Services Relative to the Convenience and Needs of the Area it Serves
EXHIBIT G—Competitive Situation

The Applicant represents that the information contained in this application is true and complete to the best of its knowledge and belief.

Executed this 9th day of December, 1970.

THE FIRST NATIONAL BANCORPORATION, INC.
(Name of Applicant)

By
(Authorized Officer)

ATTEST:
Edward B. Close
(Secretary)

Definitions

Applicant—	The First National Bancorporation, Inc.
First National—	The First National Bank of Denver
Bear Valley—	The First National Bank of Bear Valley
Northglenn—	The First National Bank of Northglenn
Southglenn—	The First National Bank of Southglenn
Boulder or Bank—	The National State Bank of Boulder
Board—	The Board of Governors of The Federal Reserve System

EXHIBIT G

1. *Judgment of Bank's officers as to Bank's approximate service area, the actual or estimated population of such area, and an explanation of the basis for such a service area delineation.*

The Primary Service Area of the Bank was determined to be Boulder County, Colorado. (see NOTE) A computer analysis of deposits and loans was made (excluding those deposits and loans with addresses located outside the State of Colorado), and based upon ZIP Code addresses of record an amount of each category of loans and deposits in excess of 75% of the total was determined to be located within such County.

The percentage analysis of such information is shown below:

Total No. In State	No. in P.S.A.	Description	Total Amount	Amount in P.S.A.	%
		Deposits			
10,851	10,441	Demand	$12,430,877	$11,458,083	92
6,799	6,624	Time & Savings	13,510,647	12,918,624	96
		Loans			
408	382	Commercial & Industrial	4,404,645	3,987,034	91
		Real Estate—Commercial			
108	98	& Industrial	4,088,114	3,743,164	92
303	294	Real Estate—Residential	3,400,377	3,286,938	97
10	9	Real Estate—Farm	450,754	366,228	81
25	22	Farm	1,487,268	1,318,253	87
1,513	1,330	Instalment & Personal	3,710,310	3,464,522	93

The Primary Service Area indicated above is shown on Map, Exhibit G-1, attached. The estimated population of

---

NOTE: There are no banks in the county to the west of the City of Boulder, and the Rocky Mountains form a natural barrier to service by banks in counties further to the west. Perforce, then, the western part of the county is a natural dependency to the City of Boulder for banking services. While cities to the east (Broomfield, Lafayette, Longmont and Louisville) each have their own banks which service the usual needs of residents of their immediate suburban areas, none of these cities are further than 15 miles from Boulder, the county seat and the largest city in the county, and all are connected to it by major arteries. It seems reasonable to conclude, therefore, that the City of Boulder is a reasonable alternative for citizens of this part of the county as well.

this area, based upon preliminary figures obtained from the United States Bureau of the Census for Boulder County in 1970 was 130,002 persons.

2. *The estimated proportions of:*

(a) *Bank's IPC demand, savings, and time deposits which originate in the service area of each of Applicant's subsidiary banks, or of Applicant, if it is a bank;*

Deposit Concentration of 5 Largest Banking Organizations Colorado - 1960-1969 (000)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	6/30 1970
Denver U. S. Bancorporation	304,929 15.2%	429,962[1] 18.7%	355,815 15.2%	349,414 13.9%	364,317 13.5%	418,047 14.6%	441,251 14.6%	492,676 14.3%	557,050 14.4%	595,490 15.2%	602,652[3] 15.8%
Colorado CNB Bankshares	164,832 8.2%	179,113 7.8%	193,352 8.3%	201,515 8.0%	209,503 7.8%	216,503 7.5%	229,196 7.6%	254,646 7.4%	293,662 7.6%	303,992 7.8%	288,957[4] 7.6%
First National Bancorporation	318,989 15.9%	347,242 15.1%	404,209 17.2%	409,334 16.3%	404,406 15.0%	427,416 14.9%	441,270 14.6%	509,736 14.8%	568,986 14.7%	529,782 13.5%	638,030[5] 16.8%
Central Bank & Trust Co.	130,996 6.5%	142,870 6.2%	154,459 6.6%	155,264 6.2%	163,245 6.1%	160,471 5.6%	171,536 5.7%	200,225 5.8%	216,616 5.6%	209,624 5.3%	
Western Bancorporation Inc.	87,490 4.4%	99,192 4.3%	119,217 5.1%	123,750 4.9%	142,987 5.3%	157,488 5.5%	156,993 5.2%	188,160 5.5%	199,225 5.2%	212,167 5.4%	195,850 5.1%
Affiliated Bankshares of Colorado Inc.											257,379 ✱ 6.8%
Total	1,007,236 50.2%	1,198,379 52.1%	1,227,053 52.4%	1,239,277 49.4%	1,284,670 47.7%	1,379,926 48.1%	1,440,245 47.6%	1,645,443 47.7%	1,835,538 47.6%	1,851,055 47.2%	1,982,868 52.0%
Colorado[2]	2,005,382	2,301,393	2,343,563	2,507,326	2,693,634	2,870,104	3,023,189	3,446,497	3,858,600	3,921,505	3,808,355[6]

[1] Includes 106,663 proceeds of Argo Oil Corporation. (liquid)

[2] Year end reports of call, F.D.I.C. Insured Commercial Banks

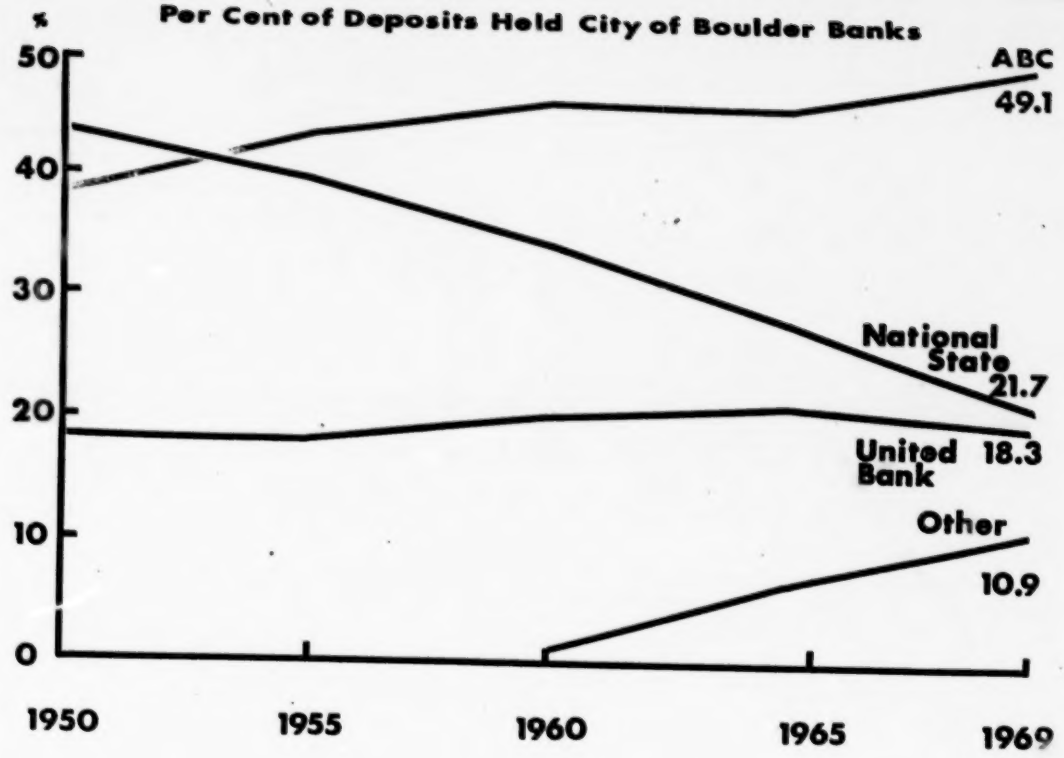
[3] Includes Villa National Bank, Colorado Springs National, and Mesa National Bank, Grand Junction (all approved)

[4] Includes Bank of Glenwood (approved) and First National Bank of Sterling (application pending)

[5] Includes First National Bank of Greeley and Security State Bank of Sterling (applications approved) and Exchange National Bank of Colorado Springs, Montbello State Bank and National State Bank of Boulder (applications pending)

[6] Polk's World Bank Directory, September, 1970 issue.

✱ (excluding Central Bank & Trust - total = $1,982,868; 52.1%)


%
Per Cent of Deposits Held City of Boulder Banks
50
40
30
20
10
0
1950
1955
1960
1965
1969
ABC
49.1
National State
21.7
United Bank
18.3
Other
10.9

POOR COPY

...ts - Boulder County. (000)

	Deposits 1950	% of City	% of County	Deposits 1955	% of City	% of County	Deposits 1960	% of City	% of County	Deposits 1965	% of City	% of County	Deposits 1969	% of City	% of County
...rapahoe National							486	1.1	.7	3,724	4.3	3.1	6,267	4.8	3.4
...oulder National										3,211	3.8	2.7	10,931	8.3	5.9
...4 First National Bank	7,194	38.6	21.8	12,775	43.2	26.9	20,507	44.9	29.2	35,525	41.5	29.7	58,609	44.3	31.8
...4 National State Bank	8,216	44.0	25.0	11,683	39.5	24.6	15,560	34.1	22.2	23,825	27.8	19.9	28,667	21.7	15.6
1960 Security Bank of Boulder							273	.6	.4	2,160	2.5	1.8	3,472	2.6	1.9
...8 United Bank of Boulder	3,240	17.4	9.8	5,118	17.3	10.8	8,821	19.3	12.6	17,207	20.1	14.4	24,231	18.3	13.2
[ABC-First Nat'l. & Arapahoe]							[20,993]	[46.0]	[29.9]	[39,249]	[45.8]	[32.8]	[64,876]	[49.1]	[35.2]
Total - City of Boulder	18,650	100.0	56.6	29,576	100.0	62.3	45,647	100.0	65.1	85,652	100.0	71.6	132,177	100.0	71.8
Broomfield:															
...3 Broomfield Bank							1,209		1.7	2,871		2.4	5,727		3.1
Lafayette:															
...3 First National Bank				891		1.9	1,608		2.3	1,775		1.5	3,076		1.7
Longmont:															
... First National Bank	8,474		25.7	9,562		20.1	11,834		16.9	14,919		12.5	20,477		11.1
... Longmont National Bank	5,221		15.9	6,050		12.8	8,138		11.6	10,495		8.8	15,024		8.2
...4 St. Vrain Valley State Bank										1,469		1.3	4,386		2.4
Louisville:															
...5 First National Bank	580		1.8	1,394		2.9	1,699		2.4	2,315		1.9	3,185		1.7
[ABC-Arapahoe, F.N.B.-Boulder, F.N.B.-Lafayette; F.N.B.-Louisville]							[24,300]		[34.6]	[43,339]		[36.2]	[71,137]		[38.6]
Total - Boulder County	32,925		100.0	47,473		100.0	70,135		100.0	119,496		100.0	184,052		100.0

TOTAL ASSETS
CITY OF BOULDER
(Dollar

	June 1970		
	Amount	% of City	% of County
apahoe National Bank of Boulder (established 11/28/60)	$ 7,123	4.5	3.2
lder National Bank (established 1/15/64)	13,518	8.5	6.1
rst National Bank in Boulder	70,316	44.3	31.8
ited Bank of Boulder (formerly ercantile Bank & Trust Co.)	27,208	17.1	12.3
tional State Bank	36,811	23.2	16.6
curity State Bank of Boulder (formerly Commonwealth State Bank)	3,792	2.4	1.7
TOTAL: CITY OF BOULDER	158,768	100.0	71.7
oomfield Bank	6,792	-	3.1
rst National Bank of Lafayette	3,923	-	1.8
rst National Bank, Longmont	24,861	-	11.2
ngmont National Bank	17,703	-	8.0
. Vrain Valley Bank, Longmont (established 8/3/64)	5,937	-	2.7
rst National Bank of Louisville	3,312	-	1.5
TOTAL: BOULDER COUNTY	221,296	-	100.0

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TOTAL ASSETS OF COMMERCIAL BANKS IN THE
CITY OF BOULDER AND BOULDER COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1970			June 1969			June 1968			June 1967		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
k of Boulder 0)	$ 7,123	4.5	3.2	$ 6,658	5.1	3.6	$ 5,659	4.6	3.3	$ 4,686	4.4	3.1
)	13,518	8.5	6.1	10,657	8.1	5.7	8,694	7.1	5.1	6,398	6.0	4.2
Boulder	70,316	44.3	31.8	62,309	47.6	33.3	55,881	45.5	32.5	46,749	43.5	30.8
(formerly st Co.)	27,208	17.1	12.3	26,520	20.3	14.2	21,477	17.5	12.5	19,114	17.8	12.6
	36,811	23.2	16.6	21,737	16.6	11.6	28,356	23.1	16.5	28,009	26.1	18.4
Boulder h State Bank)	3,792	2.4	1.7	2,985	2.3	1.6	2,845	2.3	1.7	2,557	2.4	1.7
BOULDER	158,768	100.0	71.7	130,866	100.0	70.0	122,913	100.0	71.5	107,513	100.0	70.0
	6,792	-	3.1	5,816	-	3.1	4,656	-	2.7	3,851	-	2.5
Lafayette	3,923	-	1.8	3,040	-	1.6	2,745	-	1.6	2,308	-	1.5
ngmont	24,861	-	11.2	22,994	-	12.3	20,484	-	11.9	18,675	-	12.3
	17,703	-	8.0	16,773	-	9.0	14,595	-	8.5	14,008	-	9.2
Longmont	5,937	-	2.7	4,482	-	2.4	3,763	-	2.2	2,998	-	2.0
Louisville	3,312	-	1.5	3,088	-	1.7	2,750	-	1.6	2,655	-	1.7
COUNTY	221,296	-	100.0	187,059	-	100.0	171,905	-	100.0	152,008	-	100.0

TOTAL ASSETS OF COMMERCIAL BANKS IN THE
CITY OF BOULDER AND BOULDER COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1966			June 1965			June 1964			
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County	A
Arapahoe National Bank of Boulder (established 11/28/60)	$ 4,409	4.4	3.2	$ 3,862	4.6	3.2	$ 3,698	4.6	3.2	$
Boulder National Bank (established 1/15/64)	4,569	4.6	3.3	2,544	3.0	2.1	3,489	4.3	3.0	
First National Bank in Boulder	43,218	43.3	31.0	34,421	40.9	28.7	30,825	38.0	26.8	
United Bank of Boulder (formerly Mercantile Bank & Trust Co.)	19,529	19.6	14.0	16,774	19.9	14.0	18,415	22.7	16.0	
National State Bank	25,433	25.5	18.3	24,476	29.1	20.4	22,314	27.5	19.4	
Security State Bank of Boulder (formerly Commonwealth State Bank)	2,678	2.7	1.9	2,132	2.5	1.8	2,294	2.8	2.0	
TOTAL: CITY OF BOULDER	99,836	100.0	71.7	84,209	100.0	70.2	81,035	100.0	70.5	
Broomfield Bank	3,653	-	2.6	3,175	-	2.6	3,167	-	2.8	
First National Bank of Lafayette	2,013	-	1.4	1,814	-	1.5	1,715	-	1.5	
First National Bank, Longmont	16,766	-	12.0	15,551	-	13.0	15,214	-	13.2	
Longmont National Bank	12,327	-	8.8	11,270	-	9.4	11,519	-	10.0	
St. Vrain Valley Bank, Longmont (established 8/3/64)	2,222	-	1.6	1,490	-	1.2	-	-	-	
First National Bank of Louisville	2,503	-	1.8	2,433	-	2.0	2,338	-	2.0	
TOTAL: BOULDER COUNTY	139,320	-	100.0	119,942	-	100.0	114,988	-	100.0	

TOTAL ASSETS OF COMMERCIAL BANKS IN THE
CITY OF BOULDER AND BOULDER COUNTY, 1960-1970
(Dollar amounts in thousands)

June 1966			June 1965			June 1964			June 1963		
Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
$ 4,409	4.4	3.2	$ 3,862	4.6	3.2	$ 3,698	4.6	3.2	$ 3,235	4.3	3.0
4,569	4.6	3.3	2,544	3.0	2.1	3,489	4.3	3.0	-	-	-
43,218	43.3	31.0	34,421	40.9	28.7	30,825	38.0	26.8	31,046	41.4	29.2
19,529	19.6	14.0	16,774	19.9	14.0	18,415	22.7	16.0	17,292	23.1	16.3
25,433	25.5	18.3	24,476	29.1	20.4	22,314	27.5	19.4	21,173	28.3	19.9
2,678	2.7	1.9	2,132	2.5	1.8	2,294	2.8	2.0	2,167	2.9	2.0
99,836	100.0	71.7	84,209	100.0	70.2	81,035	100.0	70.5	74,913	100.0	70.6
3,653	-	2.6	3,175	-	2.6	3,167	-	2.8	2,666	-	2.5
2,013	-	1.4	1,814	-	1.5	1,715	-	1.5	1,672	-	1.6
16,766	-	12.0	15,551	-	13.0	15,214	-	13.2	14,027	-	13.2
12,327	-	8.8	11,270	-	9.4	11,519	-	10.0	10,725	-	10.1
2,222	-	1.6	1,490	-	1.2	-	-	-	-	-	-
2,503	-	1.8	2,433	-	2.0	2,338	-	2.0	2,154	-	2.0
139,320	-	100.0	119,942	-	100.0	114,988	-	100.0	106,157	-	100.0

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TOTAL ASSETS OF COMMERCIAL BANKS IN THE
CITY OF BOULDER AND BOULDER COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1962			June 1961			June 1960		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
Arapahoe National Bank of Boulder (established 11/28/60)	$ 2,312	3.8	2.6	$ 1,581	3.1	2.1	-	-	-
Boulder National Bank (established 1/15/64)	-	-	-	-	-	-	-	-	-
First National Bank in Boulder	25,788	41.9	28.5	20,611	40.7	26.8	$ 18,794	42.4	27.0
United Bank of Boulder (formerly Mercantile Bank & Trust Co.)	13,198	21.5	14.6	10,902	21.5	14.2	9,494	21.4	13.6
National State Bank	19,118	31.1	21.1	17,149	33.9	22.3	15,997	36.1	23.0
Security State Bank of Boulder (formerly Commonwealth State Bank)	1,074	1.7	1.2	386	0.8	0.5	-	-	-
TOTAL: CITY OF BOULDER	61,490	100.0	68.0	50,629	100.0	65.9	44,285	100.0	63.6
Broomfield Bank	2,382	-	2.6	2,045	-	2.7	1,536	-	2.2
First National Bank of Lafayette	1,531	-	1.7	1,739	-	2.3	1,731	-	2.5
First National Bank, Longmont	13,104	-	14.5	11,962	-	15.6	11,553	-	16.6
Longmont National Bank	9,973	-	11.0	8,538	-	11.1	8,679	-	12.5
St. Vrain Valley Bank, Longmont (established 8/3/64)	-	-	-	-	-	-	-	-	-
First National Bank of Louisville	2,006	-	2.2	1,909	-	2.5	1,823	-	2.6
TOTAL: BOULDER COUNTY	90,486	-	100.0	76,822	-	100.0	69,607	-	100.0

SOURCE: Polk's Bank Directory, September issue, various years.

TOTAL DEPOSITS OF COMMERCIAL BANKS IN THE CITY OF BOULDER AND BOULDER COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1970			June 1969			June 1968			
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County	Am
Arapahoe National Bank of Boulder (established 11/28/60)	$ 6,257	4.5	3.2	$ 5,959	4.7	3.4	$ 5,093	4.5	3.3	$
Boulder National Bank (established 1/15/64)	11,116	8.0	5.7	9,287	7.3	5.2	7,620	6.8	4.9	
First National Bank in Boulder	64,221	46.2	32.9	57,837	45.5	32.6	51,709	45.9	33.1	4
Mercantile Bank & Trust Co. (now United Bank of Boulder)	23,490	16.9	12.0	23,763	18.7	13.4	19,647	17.4	12.6	1
National State Bank	31,012	22.3	15.9	27,813	21.9	15.7	26,221	23.3	16.8	2
Security Bank of Boulder (formerly Commonwealth State Bank)	2,979	2.1	1.5	2,391	1.9	1.3	2,393	2.1	1.5	
TOTAL: CITY OF BOULDER	139,075	100.0	71.2	127,050	100.0	71.5	112,683	100.0	72.1	9
Broomfield Bank	5,937	-	3.0	5,126	-	2.9	4,069	-	2.6	
First National Bank of Lafayette	3,530	-	1.8	2,171	-	1.5	2,461	-	1.6	
First National Bank, Longmont	22,486	-	11.5	20,868	-	11.7	18,294	-	11.7	1
Longmont National Bank	15,770	-	8.1	15,097	-	8.5	13,071	-	8.4	1
St. Vrain Valley Bank, Longmont (Established 8/3/64)	5,218	-	2.7	3,919	-	2.2	3,252	-	2.1	
First National Bank of Louisville	3,312	-	1.7	2,859	-	1.6	2,540	-	1.6	
TOTAL: BOULDER COUNTY	195,328	-	100.0	177,632	-	100.0	156,370	-	100.0	1

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TOTAL DEPOSITS OF COMMERCIAL BANKS IN THE
CITY OF BOULDER AND BOULDER COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1970			June 1969			June 1968			June 1967		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
der	$ 6,257	4.5	3.2	$ 5,959	4.7	3.4	$ 5,093	4.5	3.3	$ 4,138	4.2	3.0
	11,116	8.0	5.7	9,287	7.3	5.2	7,620	6.8	4.9	5,703	5.8	4.1
	64,221	46.2	32.9	57,837	45.5	32.6	51,709	45.9	33.1	43,376	43.9	31.3
	23,490	16.9	12.0	23,763	18.7	13.4	19,647	17.4	12.6	17,398	17.6	12.5
	31,012	22.3	15.9	27,813	21.9	15.7	26,221	23.3	16.8	26,037	26.3	18.8
Bank)	2,979	2.1	1.5	2,391	1.9	1.3	2,393	2.1	1.5	2,182	2.2	1.6
	139,075	100.0	71.2	127,050	100.0	71.5	112,683	100.0	72.1	98,834	100.0	71.3
	5,937	-	3.0	5,126	-	2.9	4,069	-	2.6	3,359	-	2.4
te	3,520	-	1.8	2,171	-	1.5	2,461	-	1.6	2,081	-	1.5
	22,486	-	11.5	20,868	-	11.7	18,294	-	11.7	16,911	-	12.2
	15,770	-	8.1	15,097	-	8.5	13,071	-	8.4	12,602	-	9.1
	5,218	-	2.7	3,919	-	2.2	3,252	-	2.1	2,417	-	1.7
lle	3,312	-	1.7	2,859	-	1.6	2,540	-	1.6	2,436	-	1.7
	195,328	-	100.0	177,632	-	100.0	156,370	-	100.0	138,640	-	100.0

TOTAL DEPOSITS OF COMMERCIAL BANKS IN THE
CITY OF BOULDER AND BOULDER COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1966			June 1965			June 1964		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
Arapahoe National Bank of Boulder (established 11/28/60)	$ 3,894	4.3	3.1	$ 3,322	4.4	3.1	$ 3,003	4.2	2.9
Boulder National Bank (established 1/15/64)	3,911	4.3	3.1	1,971	2.6	1.8	837	1.2	0.8
First National Bank in Boulder	40,176	44.1	31.7	30,968	41.1	28.9	28,503	40.0	27.9
Mercantile Bank & Trust Co. (now United Bank of Boulder)	17,329	19.0	13.7	14,737	19.6	13.7	16,438	23.1	16.1
National State Bank	23,572	25.9	18.6	22,699	30.1	21.1	20,608	28.9	20.2
Security Bank of Boulder (formerly Commonwealth State Bank)	2,280	2.5	1.8	1,672	2.2	1.6	1,812	2.5	1.8
TOTAL: CITY OF BOULDER	91,162	100.0	71.9	75,369	100.0	70.2	71,201	100.0	69.8
Broomfield Bank	3,175	-	2.5	2,735	-	2.5	2,724	-	2.7
First National Bank of Lafayette	1,820	-	1.4	1,630	-	1.5	1,542	-	1.5
First National Bank, Longmont	15,424	-	12.2	14,098	-	13.1	13,934	-	13.7
Longmont National Bank	11,147	-	8.8	10,165	-	9.5	10,500	-	10.3
St. Vrain Valley Bank, Longmont (established 8/3/64)	1,682	-	1.3	1,087	-	1.0	-	-	-
First National Bank of Louisville	2,319	-	1.8	2,238	-	2.1	2,160	-	2.1
TOTAL: BOULDER COUNTY	126,729	-	100.0	107,322	-	100.0	102,061	-	100.0

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TOTAL DEPOSITS OF COMMERCIAL BANKS IN THE
CITY OF BOULDER AND BOULDER COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1966			June 1965			June 1964			June 1963		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
ulder	$ 3,894	4.3	3.1	$ 3,322	4.4	3.1	$ 3,003	4.2	2.9	$ 2,786	4.1	2.9
	3,911	4.3	3.1	1,971	2.6	1.8	837	1.2	0.8	-	-	-
er	40,176	44.1	31.7	30,968	41.1	28.9	28,503	40.0	27.9	28,826	41.9	29.6
)	17,329	19.0	13.7	14,737	19.6	13.7	16,438	23.1	16.1	15,807	23.0	16.2
	23,572	25.9	18.6	22,699	30.1	21.1	20,608	28.9	20.2	19,468	28.3	20.0
Bank)	2,280	2.5	1.8	1,672	2.2	1.6	1,812	2.5	1.8	1,846	2.7	1.9
R	91,162	100.0	71.9	75,369	100.0	70.2	71,201	100.0	69.8	68,733	100.0	70.6
	3,175	-	2.5	2,735	-	2.5	2,724	-	2.7	2,280	-	2.3
tte	1,820	-	1.4	1,630	-	1.5	1,542	-	1.5	1,522	-	1.6
	15,424	-	12.2	14,098	-	13.1	13,934	-	13.7	12,901	-	13.3
	11,147	-	8.8	10,165	-	9.5	10,500	-	10.3	9,858	-	10.1
nt	1,682	-	1.3	1,087	-	1.0	-	-	-	-	-	-
lle	2,319	-	1.8	2,238	-	2.1	2,160	-	2.1	1,998	-	2.1
	126,729	-	100.0	107,322	-	100.0	102,061	-	100.0	97,292	-	100.0

TOTAL DEPOSITS OF COMMERCIAL BANKS IN THE
CITY OF BOULDER AND BOULDER COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1962			June 1961			June 1960		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
Arapahoe National Bank of Boulder (established 11/28/60)	$ 1,904	3.4	2.3	$ 1,192	2.6	1.7	-	-	-
Boulder National Bank (established 1/15/64)	-	-	-	-	-	-	-	-	-
First National Bank in Boulder	23,779	42.6	28.8	18,921	41.1	27.0	$ 17,192	42.5	27.1
Mercantile Bank & Trust Co. (now United Bank of Boulder)	11,920	21.3	14.5	9,854	21.4	14.1	8,506	21.0	13.4
National State Bank	17,517	31.4	21.2	15,862	34.4	22.7	14,764	36.5	23.2
Security Bank of Boulder (formerly Commonwealth State Bank)	748	1.3	0.9	222	0.5	0.3	-	-	-
TOTAL: CITY OF BOULDER	55,868	100.0	67.7	46,051	100.0	65.8	40,462	100.0	63.7
Broomfield Bank	2,052	-	2.5	1,760	-	2.5	1,270	-	2.0
First National Bank of Lafayette	1,394	-	1.7	1,602	-	2.3	1,508	-	2.4
First National Bank, Longmont	12,122	-	14.7	11,050	-	15.8	10,674	-	16.8
Longmont National Bank	9,185	-	11.1	7,769	-	11.1	7,956	-	12.5
St. Vrain Valley Bank, Longmont (established 8/3/64)	-	-	-	-	-	-	-	-	-
First National Bank of Louisville	1,851	-	2.2	1,728	-	2.5	1,671	-	2.6
TOTAL: BOULDER COUNTY	82,472	-	100.0	69,960	-	100.0	63,541	-	100.0

SOURCE: Polk's Bank Directory, September issue, various years.

TOTAL LOANS AND DISCOUNTS OF COMMERCIAL BANKS IN THE
CITY OF BOULDER AND BOULDER COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1970			June 1969			June 1968		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
Arapahoe National Bank of Boulder (established 11/28/60)	$ 4,253	5.3	3.7	$ 4,234	5.4	3.9	$ 3,560	6.1	4.2
Boulder National Bank (established 1/15/64)	6,588	8.2	5.7	6,195	8.0	5.7	5,401	9.2	6.3
First National Bank in Boulder	32,546	40.6	28.2	30,120	38.7	27.6	24,625	41.9	28.7
United Bank of Boulder (formerly Mercantile Bank & Trust Co.)	16,111	20.1	14.0	16,669	21.4	15.3	11,743	20.0	13.7
National State Bank	19,376	24.1	16.8	19,011	24.4	17.5	11,881	20.2	13.9
Security State Bank of Boulder (formerly Commonwealth State Bank)	1,379	1.7	1.2	1,626	2.1	1.5	1,524	2.6	1.8
TOTAL: CITY OF BOULDER	80,253	100.0	69.5	77,855	100.0	71.5	58,734	100.0	68.6
Broomfield Bank	4,062	-	3.5	3,194	-	2.9	2,233	-	2.6
First National Bank of Lafayette	1,988	-	1.7	1,701	-	1.6	1,668	-	1.9
First National Bank, Longmont	15,016	-	13.0	13,805	-	12.7	11,422	-	13.3
Longmont National Bank	9,237	-	8.0	8,010	-	7.4	7,607	-	8.9
St. Vrain Valley Bank, Longmont (established 8/3/64)	3,163	-	2.7	2,647	-	2.4	5,320	-	2.7
First National Bank of Louisville	1,706	-	1.5	1,733	-	1.6	1,696	-	2.0
TOTAL: BOULDER COUNTY	115,426	-	100.0	108,945	-	100.0	85,680	-	100.0

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TOTAL LOANS AND DISCOUNTS OF COMMERCIAL BANKS IN THE
CITY OF BOULDER AND BOULDER COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1970			June 1969			June 1968			June 1967		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
k of Boulder 0)	$ 4,253	5.3	3.7	$ 4,234	5.4	3.9	$ 3,560	6.1	4.2	$ 3,226	5.5	3.9
)	6,588	8.2	5.7	6,195	8.0	5.7	5,401	9.2	6.3	4,228	7.3	5.1
n Boulder	32,546	40.6	28.2	30,120	38.7	27.6	24,625	41.9	28.7	26,641	45.8	32.3
r (formerly st Co.)	16,111	20.1	14.0	16,669	21.4	15.3	11,743	20.0	13.7	10,659	18.3	12.9
	19,376	24.1	16.8	19,011	24.4	17.5	11,881	20.2	13.9	12,147	21.0	14.7
f Boulder th State Bank)	1,379	1.7	1.2	1,626	2.1	1.5	1,524	2.6	1.8	1,261	2.2	1.5
F BOULDER	80,253	100.0	69.5	77,855	100.0	71.5	58,734	100.0	68.6	58,162	100.0	70.5
	4,062	-	3.5	3,194	-	2.9	2,233	-	2.6	1,861	-	2.3
Lafayette	1,988	-	1.7	1,701	-	1.6	1,668	-	1.9	1,482	-	1.8
ongmont	15,016	-	13.0	13,805	-	12.7	11,422	-	13.3	10,015	-	12.1
	9,237	-	8.0	8,010	-	7.4	7,607	-	8.9	7,079	-	8.6
Longmont	3,163	-	2.7	2,647	-	2.4	5,320	-	2.7	2,065	-	2.5
Louisville	1,706	-	1.5	1,733	-	1.6	1,696	-	2.0	1,828	-	2.2
COUNTY	115,426	-	100.0	108,945	-	100.0	85,680	-	100.0	82,492	-	100.0

TOTAL LOANS AND DISCOUNTS OF COMMERCIAL BA
CITY OF BOULDER AND BOULDER COUNTY, 19
(Dollar amounts in thousands)

	June 1966			June 1965		
	Amount	% of City	% of County	Amount	% of City	% of County
Arapahoe National Bank of Boulder (established 11/28/60)	$ 2,933	5.7	4.0	$ 2,604	5.5	4.0
Boulder National Bank (established 1/15/64)	3,033	5.9	4.1	1,779	3.8	2.7
First National Bank in Boulder	22,066	42.7	30.2	20,847	44.3	31.7
United Bank of Boulder (formerly Mercantile Bank & Trust Co.)	10,530	20.4	14.4	9,984	21.2	15.2
National State Bank	11,565	22.4	15.8	10,491	22.3	16.0
Security State Bank of Boulder (formerly Commonwealth State Bank)	1,513	2.9	2.1	1,308	2.8	2.0
TOTAL: CITY OF BOULDER	51,640	100.0	70.7	47,013	100.0	71.5
Broomfield Bank	1,956	-	2.7	1,820	-	2.8
First National Bank of Lafayette	1,393	-	1.9	1,165	-	1.8
First National Bank, Longmont	8,032	-	11.0	7,112	-	10.8
Longmont National Bank	6,804	-	9.3	6,009	-	9.1
St. Vrain Valley Bank, Longmont (established 8/3/64)	1,522	-	2.1	983	-	1.5
First National Bank of Louisville	1,741	-	2.4	1,625	-	2.5
TOTAL: BOULDER COUNTY	73,088	-	100.0	65,737	-	100.0

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TOTAL LOANS AND DISCOUNTS OF COMMERCIAL BANKS IN THE CITY OF BOULDER AND BOULDER COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1966			June 1965			June 1964			June 1963		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
of Boulder	$ 2,933	5.7	4.0	$ 2,604	5.5	4.0	$ 2,563	5.8	4.2	$ 1,973	5.4	3.8
	3,033	5.9	4.1	1,779	3.8	2.7	2,408	5.4	3.9	-	-	-
Boulder	22,066	42.7	30.2	20,847	44.3	31.7	18,396	41.6	30.0	15,732	42.8	30.2
(formerly t Co.)	10,530	20.4	14.4	9,984	21.2	15.2	9,894	22.4	16.1	9,015	24.5	17.3
	11,565	22.4	15.8	10,491	22.3	16.0	9,787	22.1	16.0	8,880	24.2	17.0
Boulder State Bank)	1,513	2.9	2.1	1,308	2.8	2.0	1,214	2.7	2.0	1,127	3.1	2.2
BOULDER	51,640	100.0	70.7	47,013	100.0	71.5	44,262	100.0	72.2	36,727	100.0	70.5
	1,956	-	2.7	1,820	-	2.8	1,928	-	3.1	1,651	-	3.2
Lafayette	1,393	-	1.9	1,165	-	1.8	1,061	-	1.7	833	-	1.6
ngmont	8,032	-	11.0	7,112	-	10.8	6,668	-	10.9	6,089	-	11.7
	6,804	-	9.3	6,009	-	9.1	5,852	-	9.5	5,494	-	10.5
Longmont	1,522	-	2.1	983	-	1.5	-	-	-	-	-	-
Louisville	1,741	-	2.4	1,625	-	2.5	1,534	-	2.5	1,298	-	2.5
COUNTY	73,088	-	100.0	65,737	-	100.0	61,305	-	100.0	52,092	-	100.0

TOTAL LOANS AND DISCOUNTS OF COMMERCIAL BANKS IN THE CITY OF BOULDER AND BOULDER COUNTY, 1960-1970
(Dollar amounts in thousands)

	June 1962			June 1961			June 1960		
	Amount	% of City	% of County	Amount	% of City	% of County	Amount	% of City	% of County
Arapahoe National Bank of Boulder (established 11/28/60)	$ 1,455	4.7	3.3	$ 859	3.4	2.3	-	-	-
Boulder National Bank (established 1/15/64)	-	-	-	-	-	-	-	-	-
First National Bank in Boulder	13,303	42.8	29.9	10,695	42.1	29.0	$ 9,803	45.2	20.9
United Bank of Boulder (formerly Mercantile Bank & Trust Co.)	7,635	24.5	17.2	6,299	24.8	17.1	5,186	23.9	16.4
National State Bank	8,381	26.9	18.8	7,381	29.1	20.0	6,712	30.9	21.2
Security State Bank of Boulder (formerly Commonwealth State Bank)	336	1.1	0.8	148	0.6	0.4	-	-	-
TOTAL: CITY OF BOULDER	31,110	100.0	69.9	25,382	100.0	68.9	21,701	100.0	68.4
Broomfield Bank	1,413	-	3.2	1,246	-	3.4	870	-	2.7
First National Bank of Lafayette	770	-	1.7	792	-	2.1	779	-	2.5
First National Bank, Longmont	5,132	-	11.5	4,596	-	12.5	3,863	-	12.2
Longmont National Bank	5,052	-	11.3	4,033	-	10.9	3,615	-	11.4
St. Vrain Valley Bank, Longmont (established 8/3/64)	-	-	-	-	-	-	-	-	-
First National Bank of Louisville	1,000	-	2.2	811	-	2.2	887	-	2.8
TOTAL: BOULDER COUNTY	44,477	-	100.0	36,860	-	100.0	31,715	-	100.0

SOURCE: Polk's Bank Directory, September issue, various years.

Plaintiff's Exhibit 168

City of Boulder
Total Population: 1960-1970

Date	Population
January 1, 1960	37,718
January 1, 1961	39,500
January 1, 1962	42,000
January 1, 1963	43,600
January 1, 1964	48,000
January 1, 1965	50,250
January 1, 1966	54,000
January 1, 1967	56,000
January 1, 1968	63,500
January 1, 1969	67,500
April 1, 1970	66,870

Source: For years 1960-1969—Estimates of Colorado State Planning Office (April 1969). For 1970—U.S. Census, Final Population Count (4/1/70).

Plaintiff's Exhibit 169

Gross Sales, 1960-1970
Boulder County and City of Boulder

	Boulder County			City of Boulder		
Fiscal Year	Gross Sales (in millions)	% Yearly Increase	% Increase Since 1960	Gross Sales (in millions)	% Yearly Increase	% Increase Since 1961
1960	$141.0	—	—	NA	—	—
1961	156.0	10.6	10.6	$100.2	—	—
1962	180.6	15.8	28.1	110.5	10.3	10.3
1963	204.7	13.3	45.2	127.2	15.1	26.9
1964	223.6	9.2	58.6	138.6	9.0	38.3
1965	235.6	5.4	67.1	146.5	5.7	46.2
1966	255.9	8.6	81.5	162.8	11.1	62.5
1967	294.7	15.2	109.0	188.6	15.8	88.2
1968	347.8	18.0	146.7	222.2	17.8	121.8
1969	402.4	15.7	185.4	255.2	14.9	154.7
1970	431.8	7.3	206.2	284.0	11.3	183.4

Source: Department of Revenue, State of Colorado, Research and Statistics Section.

Plaintiff's Exhibit 170

Retail Sales, 1960-1970
Boulder County and City of Boulder

Fiscal Year	Boulder County Retail Sales (in millions)	Boulder County % Yearly Increase	Boulder County % Increase Since 1960	City of Boulder Retail Sales (in millions)	City of Boulder % Yearly Increase	City of Boulder % Increase Since 1961
1960	$122.4	—	—	NA	—	—
1961	134.3	9.7	9.7	$ 84.4	—	—
1962	153.6	14.4	25.5	93.3	10.5	10.5
1963	175.2	14.1	43.1	109.1	16.9	29.3
1964	197.0	12.4	60.9	121.3	11.2	43.7
1965	210.5	6.9	72.0	131.4	8.3	55.7
1966	225.4	7.1	84.2	144.9	10.3	71.7
1967	262.8	16.6	114.7	170.5	17.7	102.0
1968	304.2	15.8	148.5	200.1	17.4	137.1
1969	351.7	15.6	187.3	230.1	15.0	172.6
1970	379.3	7.8	209.9	255.3	11.0	202.5

Source: Department of Revenue, State of Colorado, Research and Statistics Section.

Plaintiff's Exhibit 171

City of Boulder
Postal Receipts, 1960-1970

Postal Fiscal Year	Postal Receipts	Annual % Increase	% Increase Since 1960
1960	$1,455,479	—	—
1961	1,787,746	22.8%	22.8%
1962	1,578,275	(11.7)	8.4
1963	2,128,208	34.8	46.2
1964	2,538,116	19.3	74.4
1965	2,655,027	4.6	82.4
1966	2,940,195	10.7	102.0
1967	3,295,260	12.1	126.4
1968	3,815,515	15.8	162.1
1969	4,485,687	17.6	208.2
1970	5,532,417	23.3	280.1

Source: Mr. Walter Lovelace, Postmaster, Boulder, Colorado.

PLAINTIFF'S EXHIBIT 172

CITY OF BOULDER
NUMBER OF CUSTOMERS OF WATER DEPARTMENT, 1960-1970

Year	Number of Customers	% Annual Increase	% Increase Since 1960
1960	9,365	—	—
1961	9,851	5.2	5.2
1962	10,518	6.8	12.3
1963	11,147	6.0	19.0
1964	11,528	3.4	23.1
1965	11,977	3.9	27.9
1966	12,680	5.9	35.4
1967	13,335	5.2	42.4
1968	13,927	4.4	48.7
1969	14,340	3.0	53.1
1970	14,758	2.9	57.6

Source: City of Boulder, Water Department.

CITY O

BUILDING PERMITS ISSUED FOR RE

Year	Single Family Units 1/ Number	Construction Cost
1960	581	$ 6,573,866
1961	491	5,764,663
1962	523	6,720,887
1963	496	6,459,886
1964	320	4,892,930
1965	540	8,470,805
1966	583	9,299,330
1967	629	10,419,824
1968	429	7,972,534
1969	165	3,631,188

1/ Data pertain to new residences.

2/ Data pertain to duplexes and apartment buildings.

SOURCE: Colorado State Planning Office.

LDER

TIAL BUILDINGS, 1960 - 1970

Apartment Units [2]	
Number	Construction Cost
193	$1,318,650
424	2,631,500
317	4,524,900
511	3,408,300
141	2,750,500
77	586,500
397	2,555,780
573	5,001,550
991	7,717,638
502	4,807,671

PLAINTIFF'S EXHIBIT 174

CITY OF BOULDER
CONSTRUCTION DATA, 1960-1970 [1]

Year	Number of Permits Issued	Value of Construction
1960	1254	$10,669,538
1961	1343	14,131,815
1962	4037	20,002,825
1963	1841	20,857,726
1964	1413	21,453,282
1965	1609	22,613,420
1966	1508	19,840,784
1967	1887	25,671,742
1968	1544	26,462,711
1969	1877	25,268,693
1970	2858	26,159,680

[1] This table includes data for both new construction and additions to existing buildings.

Source: City of Boulder, Department of Zoning and Building Inspection.

PLAINTIFF'S EXHIBIT 175

CITY OF BOULDER
ELECTRIC POWER CONSUMPTION, 1960-1970

Year	Kilowatt Hours Consumed	% Yearly Increase	% Increase Since 1960
1960	78,304,508	—	—
1961	85,906,694	9.7	9.7
1962	96,646,569	12.5	23.4
1963	116,964,567	21.0	49.4
1964	133,724,368	14.3	70.8
1965	146,713,486	9.7	87.4
1966	174,857,138	19.2	123.3
1967	213,356,900	22.0	172.5
1968	244,453,980	14.6	212.2
1969	267,151,748	9.3	241.2
1970	285,671,909	7.0	264.8

Source: Public Service Company of Colorado, Denver, Colorado.

Plaintiff's Exhibit 176

City of Boulder
Number of Electric Billings at Year End, 1960-1970

Year	Number of Billings	Increase % Annual	% Increase Since 1960
1960	11,959	—	—
1961	12,774	6.8	6.8
1962	13,753	7.7	15.0
1963	14,765	7.4	23.5
1964	15,193	2.9	27.1
1965	15,838	4.2	32.4
1966	16,980	7.2	42.0
1967	18,194	7.1	52.1
1968	19,619	7.8	64.1
1969	20,828	6.2	74.2
1970	21,581	3.6	80.5

Source: Public Service Company of Colorado.

Plaintiff's Exhibit 177

City of Boulder Gas Sales Data, 1960-1970

Year	Number of Customers at Year End	% Annual Increase	% Increase Since 1960	Total Sales (In MCF)*	% Annual Increase	% Increase Since 1960
1960	16,676	—	—	2,942,870	—	—
1961	11,425	7.0	7.0	3,296,328	12.0	12.0
1962	12,269	7.4	14.9	3,333,613	1.1	13.3
1963	13,017	6.1	21.9	3,282,555	(1.5)	11.5
1964	13,378	2.8	25.3	4,042,043	23.1	37.4
1965	13,882	3.8	30.0	4,156,948	2.8	41.3
1966	14,793	6.6	38.6	4,277,904	2.9	45.4
1967	15,492	4.7	45.1	4,817,208	12.6	63.7
1968	16,489	6.4	54.4	5,435,562	12.8	84.7
1969	17,153	4.0	60.7	5,792,371	6.6	96.8
1970	17,469	1.8	63.6	5,923,978	2.3	101.3

* MCF = Thousand cubic feet.

Source: Public Service Company of Colorado, Denver, Colorado.

CITY OF BOULDER AND BOUL
NUMBER OF MAIN TELEPHONES IN S

Year	City of Boulder Number of Main Telephones In Service at Year End	% Annual Increase	% Increase Since 1960
1960	15,586	-	-
1961	16,708	7.2	7.2
1962	17,571	5.2	12.7
1963	18,757	6.7	20.3
1964	19,646	4.7	26.0
1965	21,223	8.0	36.2
1966	24,129	13.7	54.8
1967	27,825	15.3	78.5
1968	30,167	8.4	93.6
1969	31,946	5.9	105.0
1970	33,210	4.0	113.1

OURCE: Mountain States Telephone Company
Denver, Colorado.

CITY OF BOULDER AND BOULDER COUNTY
NUMBER OF MAIN TELEPHONES IN SERVICE, 1960-1970

City of Boulder			Boulder County		
of Main Telephones vice at Year End	% Annual Increase	% Increase Since 1960	Number of Main Telephones In Service at Year End	% Annual Increase	% Increase Since 1960
15,586	-	-	23,567	-	-
16,708	7.2	7.2	25,207	7.0	7.0
17,571	5.2	12.7	26,684	5.9	13.2
18,757	6.7	20.3	28,461	6.7	20.8
19,646	4.7	26.0	29,791	4.7	26.4
21,223	8.0	36.2	31,941	7.2	35.5
24,129	13.7	54.8	35,799	12.1	51.9
27,825	15.3	78.5	40,429	12.9	71.5
30,167	8.4	93.6	43,770	8.3	85.7
31,946	5.9	105.0	46,471	6.2	97.2
33,210	4.0	113.1	48,808	5.0	107.1

tates Telephone Company
lorado.

Plaintiff's Exhibit 179

Boulder County
Commercial Employment (1959-1969)

Year	Commercial Employment	% Increase Since 1959
1959	9,623	—
1962	13,030	35.4%
1964	15,376	59.8
1965	15,510	61.2
1966	20,660	114.7
1967	23,628	145.5
1968	26,419	174.5
1969	29,907	210.8

Source: Colorado State Planning Office, Capital Annex, Denver, Colorado.

Plaintiff's Exhibit 180

Motor Vehicle Registrations, Boulder County, Colorado, 1960-1970

Year	Number	% Annual Increase	% Increase Since 1960	Receipts	% Annual Increase	% Increase Since 1960
1960	41,985	—	—	$337,597.50	—	—
1961	45,686	8.8	8.8	363,173.24	7.6	7.6
1962	49,888	9.2	18.8	394,340.63	8.6	16.8
1963	55,330	10.9	31.8	351,475.47	−10.9	4.1
1964	58,802	6.3	40.1	459,924.08	30.9	36.2
1965	63,486	8.0	51.2	489,689.26	6.5	45.1
1966	68,869	8.5	64.0	530,591.68	8.4	57.2
1967	73,959	7.4	76.2	568,624.78	7.2	68.4
1968	80,830	9.3	92.5	615,430.97	8.2	82.3
1969	88,505	9.5	110.8	669,289.06	8.8	98.3
1970	95,494	7.9	127.4	923,246.74	37.9	173.5

Source: Department of Revenue, State of Colorado, Motor Vehicle Division, 140 West 6th Street, Denver, Colorado.

Plaintiff's Exhibit 181

Value of Commercial Construction in Boulder County, 1960-1969

Year	Value
1960	$ 1,996,150
1961	4,301,132
1962	5,106,575
1963	3,561,564
1964	3,063,561
1965	7,470,477
1966	14,160,149
1967	18,681,660
1968	8,099,488
1969	6,955,257
TOTAL:	$73,396,013

Source: Colorado State Planning Office, Capital Annex, Denver, Colorado.

Plaintiff's Exhibit 182

Boulder County
Value of All Building Construction
1960-1969

Year	Value
1960	$ 19,771,980
1961	26,321,166
1962	41,130,540
1963	33,560,045
1964	36,275,293
1965	39,118,964
1966	47,014,262
1967	56,895,136
1968	50,839,574
1969	54,074,426
TOTAL	$913,327,684

Source: Colorado State Planning Office, Capital Annex, Denver, Colorado.

PLAINTIFF'S EXHIBIT 183

MEMORANDUM

The First National Bank of Denver

FROM:
Rodney C. Thomas—
Business Development

DATE: 11-7-69

TO:

SUBJECT AND/OR REFERENCE:
Minimum Balance Service Charge
Study Procedure

C. C. TO:

This study was conducted by generating a computer run by class code, and this run included the profit or loss for the last service charge period and the minimum balances for that period.

A sample was taken of individuals' regular checking accounts by taking every account at the bottom of each page of the computer run, which was every eleventh account. This resulted in a 9½% sample. The losses were totaled up and compared to the service charge they would have been charged had the account been service charged on one of three different minimum balance formulas. The formulas used were:

1. A $300 minimum balance with a $1 charge when the balance dropped below $300 but stayed above $200. A $2 charge when the balance was between $200 and $100. A $3 charge if the minimum balance was less than $100.
2. A $300 minimum balance account with a flat $2 charge if the balance dropped below $200.
3. A $200 minimum balance account with a flat $2 charge if the balance dropped below $200.

The results indicated that the service charge income under the present formula was approximately $23,000. The service charge income using the other formulas with every regular account being analyzed by these formulas is as follows:

1. Service charge income under $300 minimum with the $1 to $3 schedule was approximately $26,000.

2. Service charge income with minimum balances of $300 with a flat $2 charge was $21,000.

3. Service charge income with a $200 minimum with a flat $2 charge was $18,000.

Recommendations and Conclusions

A meeting was held to review the findings of this study and recommend a formula. This group consisted of Bruce Dines, John Falkenberg, George McClelland, Neil King, Ron Harris, Ross Bolt, Marv Moeller, and Rod Thomas. This group decided that the best plan would be a $300 minimum with a flat $2 charge when the balances dropped below $300. The theory behind this was to keep from undercutting the Colorado National to such a point that we would start a service charge war, which could end in giving away all checking accounts. This is also a simple formula to explain and advertise.

Plaintiff's Exhibit 184

Borrowings by Officers and Directors of Colorado National Bank from First National Bank of Denver as of June 19, 1970

Code *	Amount of Loan Outstanding	Shares of Colorado CNB Bankshares Held as Collateral by First National Bank of Denver
A	$ 33,500	3,518
B	32,000	1,996
C	30,000	2,802
D	24,077	435
E	17,700	1,833
F	17,000	2,000
G	14,475	900
H	8,350	448
I	6,125	200
J	4,502	—
K	4,000	214
L	3,772	—
M	3,600	459
N	3,000	307
O	3,000	332
P	3,000	58
Q	2,500	103
R	1,400	46
Total	$212,001	15,651

Source: Answers to Interrogatories.

* In order to preserve confidentiality of the financial affairs of persons not party to this litigation, the identity of these individuals is revealed only on another document marked confidential.

PLAINTIFF'S EXHIBIT 185

LOANS MADE BY COLORADO NATIONAL BANK CERTAIN FIRST NATIONAL BANK OF DENVER OFFICER JANUARY 1, 1967—APRIL 9, 1971

CODE

1. No Loans
2. Loan of $6,000.00 made 1967, 180 Days 5.25%
3. No Loans
4. No Loans
5. Loan for $2,500.00 outstanding 1/1/67
   Renewed 3/20/67 for 180 Days at 5.25%
   Renewed 9/18/67 for 180 Days at 5.0%
   Renewed 3/19/68 for 180 Days at 5.5%
   New Loan for $2,500.00 8/20/68 27 Days 5.75%
   9/16/68 the two loans were consolidated into a not
   for $5,000.00, 180 Days, 6%
   Renewed 3/17/69 for 180 Days at 6.75%
   Renewed 9/16/69 for 180 Days at 7.5%
   Renewed 3/26/70 for 180 Days at 7.5%
   Renewed 9/15/70 for 180 Days at 7%
   Renewed 3/15/71 for 90 Days at 5.75%
   Balance 4/9/71 $5,000.00 secured by 304 Shares o
   First National Bancorporation, voting rights ar
   in the name of the borrower. *Purpose of loans*—t
   purchase First National Bank Stock.
6. Loan secured by real estate made 3/29/66 $25,000.00
   Terms—12 years at 5.5%, Balance 4/9/71 $24,345.60
   In 1970, a loan of $25,000 secured by real estate wa
   made for 15 years at 9.5% to purchase a condomin
   ium. Balance 4/9/71 $17,180.90.
7. Loan Balance outstanding on 1/1/67 was $24,710.72
   March 30, 1967 $3,000, loans renewed for 180 Day
   5.25%
   April 10, 1967 $2,900, loan renewed for 180 Days, 5.25%
   April 27, 1967 Loan for $7,500 was renewed with $90
   new money, making the loan $8,400.00 90 Days a
   5.25%
   June 2, 1967 a loan was renewed for $11,310.72, 18
   Days at 5%

July 19, 1967, a new loan was made for $3,500.00, 120 Days at 7%

July 26, 1967 $8,400—loan was renewed for 90 Days at 5%

September 20, 1967 $3,000—loan renewed for 90 Days at 5%

October 16, 1967 $2,900.00 loan renewed for 180 Days at 5%

October 25, 1967 $8,400.00 loan renewed for 90 Days at 5%

December 7, 1967 Notes for $11,310.72 and $3,500 consolidated into note for $14,810.72, 180 Days, 5%

January 26, 1968 $8,400.00 note renewed 90 Days at 5.5%

April 5, 1968 $3,000.00 note renewed for 180 Days at 5.5%

April 15, 1968 $2,900.00 note renewed for 161 Days at 5.5%

May 20, 1968 $8,400.00 note renewed for 147 days at 5.5%

May 27, 1968 $14,810.72 note renewed 112 Days at 6%

September 18, 1968 loan for $2,900.00 and $8,400.00 were consolidated into note for $11,300.00, 122 Days at 6%

November 13, 1968 Notes for $3,000.00 and $14,810.72 consolidated into note for $17,810.72, 270 Days, 6%

December 4, 1968 New note for $1,200.00 for 60 Days at 6%

January 24, 1969 Note for $11,300 renewed for 120 Days, 6.0%

May 15, 1969 Loan for $11,300.00 renewed for 120 Days at 6.5%

August 6, 1969 Note for $17,810.72 renewed for 180 Days, 7.5%

September 25, 1969 Note for $11,300.00 renewed for 90 Days, 7.5%

October 28, 1969 New loan for $1,650, 90 Days, 6.75%

November 18, 1969 New loan for $2,250.00, 107 Days, 6.75%

December 17, 1969, $11,300.00 Note renewed for 120 Days, 7.5%

February 3, 1970 $17,810.72 Note renewed 180 Days, 7.5%

March 5, 1970 Note for $1,642.84 renewed for 90 Days, 7.5%
April 13, 1970 Note for $11,300.00 renewed, 90 Days, 7%
April 27, 1970 New loan for $2,300.00, 90 Days, 6.75%
July 24, 1970 Loan for $2,300.00 renewed for $1,300, 90 Days, 7%
August 3, 1970 Note for $17,810.72 renewed 180 Days, 7%
September 9, 1970 Note for $11,300.00 renewed for 120 Days, 7%
January 7, 1971 Note for $11,300.00 renewed for 90 Days, 5.25%
February 1, 1971 Note for $17,810.72 renewed 180 Days, 6%
April 6, 1971 Note for $11,300.00 renewed 90 Days, 5.25%
All loans secured by 425 shares First National Bancorporation, voting rights held by borrower, purpose of loans (balances outstanding 4/9/71 $17,810.72 and $11,300.00 to purchase unlisted securities)

8. January 21, 1969 New loan for $2,500.00, 60 Days, 7%
March 24, 1969 Note renewed $2,500.00, 90 Days, 7%
June 23, 1969 Note renewed $2,500.00, 90 Days, 8%
September 5, 1969, New money $1,300.00, 90 Days, 8%
September 22, 1969 Note renewed $2,500.00, 90 Days 8%
December 4, 1969 $1,300.00 Note renewed $1,000.00, 90 Days, 8%
March 4, 1970 New Money $4,000.00, 90 Days, 7%
March 23, 1970 Note renewed $2,500.00, 90 Days, 8%
June 3, 1970 $3,400.00 Note renewed $3,300.00, 90 Days, 7.5%
July 3, 1970 Note renewed $2,500.00, 90 Days, 7.5%
September 8, 1970 Note for $3,300.00 renewed $3,000.00, 90 Days, 7.5%
October 1, 1970 Note for $2,500.00 renewed 90 Days, 7.5%
December 4, 1970 Note for $3,000.00 renewed $2,700.00, 90 Days, 6.5%
December 21, 1970 Note for $2,500.00 renewed 90 Days, 6.5%
March 2, 1971, Note $2,700.00 renewed $2,400, 90 Days, 6.25%

March 24, 1971 Note $2,500.00 renewed 90 Days, 6.25%
Purpose of loans was for personal expenses

9. Loans outstanding on 1/1/67 $6,050.00, excluding real estate loan

June 7, 1968 Note renewed for $6,050, 180 Days, 5%
August 16, 1968 New loan $650.00 77 Days, 6%
November 14, 1968 New loan $500.00, 21 Days, 5.5%
December 18, 1968 Notes for $1,050.00 and $500.00 consolidated into note for $1,550.00, 90 Days, 6%
January 31, 1969 New loan $600.00, 180 Days, 6.25%
June 5, 1969 Notes for $1,550.00 and $600.00 consolidated for $2,150.00, 92 Days, 6.5%
December 17, 1969 $1,200.00 note renewed $1,000.00, 90 Days, 5.75%
March 17, 1970 Note renewed $850.00, 90 Days, 7.5%
April 9, 1970 New money $750.00, 60 days, 6%
June 9, 1970 Notes for $850.00 and $750.00 consolidated into note for $1,600.00, 180 Days, 7%
October 19, 1970 New Loan $200.00, 17 Days, 5.5%
October 20, 1970 New Loan $1,000.00, 110 Days, 5.75%
December 8, 1970 Note renewed for $1,600.00, 90 Days, 6%
December 22, 1970, New loan for $150.00, 90 Days, 6½%
January 21, 1971, $75.00 payment on $150 note—balance $75
February 8, 1971 Note for $1,000 renewed for $1,350.00, increase of $350, 90 Days, 6%
March 1, 1971 New loan for $750. Days, 5.75%
March 23, 1971 Note renewed for , 90 Days 6.25%
April 7, 1971 New loan for $2 , 180 Days, 5.25%
All loans secured by 214 shares First National Bancorporation, voting rights in name borrower. Purpose of loans (Balances outstanding 4/9/71)
$1,400.00—Personal Expenses, $ 0.00 Personal Expenses, $750.00 Personal Expenses, $3 Personal Expenses, $2,000.00 Purchase of Car

Balance of re state note 4/9/ $20,632.80, dated September 30, 1966, 20 years, 5.5% riginal Amount 000.00

10. No Loans

11. Loans outstanding on 1/1/67, excluding real estate loan, total $1,500.00

January 9, 1967 New loan $1,100.00, 180 Days, 5.25%
May 1, 1967 Note for $1,395.00 renewed 180 Days, 5.25%
July 10, 1967 $1,100.00 Note renewed 180 Days, 5%
August 22, 1967 New loan $350.00, 90 Days, 5%
October 31, 1967 Note renewed $1,395.00, 180 Days, 5%
November 20, 1967 Note renewed $220.00, 180 Days, 5%
January 10, 1968 Note renewed $1,100.00, 180 Days, 5.5%
April 29, 1968 Notes for $220.00 and $1,395.00 consolidated into note for $1,615.00, 180 Days, 6%
July 9, 1968 Note renewed $1,100.00, 180 days, 6%
October 28, 1968 Note renewed $1,615.00, 180 Days 5.75%
January 7, 1969 New loan $1,300.00 24 Days, 6.25%
January 7, 1969 Note renewed $1,100.00 24 Days, 6.25%
April 22, 1970. $20.70 payment on $1,615.00 note, renew balance of $1,594.30, plus $2,000.00 new money for note of $3,594.30, 180 Days, 6.5%
August 22, 1969 New loan $900.00, 180 days, 6.5%
October 20, 1969 Note renewed for $3,594.30, 180 Days, 8%
April 1, 1970 $300.00 instalment note renewed for $600.00, 30 Days, 8%
May 1, 1970 Notes for $600.00 and $3,594.30 renewed into two notes $1,664.30, 180 Day instalment note at 8%, second note of $2,500.00, 180 Days, 7%
October 27, 1970 Renew instalment note, 180 Days, 7%
October 28, 1970 Note renewed for $2,500.00, 180 Days, 6.5%
March 29, 1971 New loan $3,000.00, 180 Days, 5.75%
28 Shares of First National Bancorporation are held as security for all loans, with voting rights in name of borrower. Purpose of loans: $947.48. Payment of Tuition; $2,500.00 Investments; $3,000.00 Home Improvements
There is also a real estate note for $3,828.04, made October 23, 1961 for $14,000.00. Balance show on April 9, 1971. Terms: 12 years, 5% to purchase home.

12. No Loans

13. No Loans

14. No Loans

15. April 3, 1967 New loan $1,800.00, 90 Days, 5.25%
July 3, 1967, Note renewed for $1,550.00, 90 Days, 5%
October 2, 1967 Note renewed for $1,500.00, 90 Days, 5%
January 8, 1968 Note renewed for $1,500.00, 90 Days, 5.5%
April 1, 1968, Note renewed $1,500.00, 90 Days, 5.5%
July 1, 1968 Note renewed $1,500.00, 90 Days, 6%
September 30, 1968, Note renewed $1,500.00 90 Days, 6%
December 31, 1968 Note renewed $1,500.00 90 Days, 6.25%
April 7, 1969 Note renewed, 90 Days, 6.5%
July 2, 1969 Note renewed 90 Days, 7.5%
October 2, 1969 Note renewed 90 Days, 7.5%
December 30, 1969, Note renewed 90 Days 7.5%
March 31, 1969 Note renewed 90 Days, 7.5%
July 1, 1970 Note renewed 90 Days 7.0%
September 29, 1970 Note renewed 90 Days 7.0%
December 29, 1970 Note renewed 90 Days, 6.0%
March 29, 1971 Note renewed 90 Days, 5.5%
Security for all loans Shares of First National Bancorporation stock, voting rights in name of borrower. Purpose of above loans—to purchase First National Bank of Denver stock 1967.
Also outstanding 4/9/ is real estate loan with balance 4/9/71 of $15,052.16, 20 years, 5.75%, made August 23, 19 $17,500.00

16. No Loans

17. Loans outstanding on 1/1/67 total $18,450.00
February 20, 1967 Note renewed for $12,650.00, 90 Days, 5.25%
March 21, 1967 Note renewed for $3,800.00, 90 Days, 5.25%
March 27, 1967 Note renewed for $5,800.00, 90 Days, 5.25%
May 24, 1967 Note renewed for $12,650.00, 90 Days, 5%
June 21, 1967 New loans for $4,000.00, 90 Days, 5%
June 26, 1967 Note renewed for $5,800.00, 90 Days, 5%
August 22, 1967 Note renewed, $12,650.00, 90 Days, 5%
September 18, 1967 Note renewed $4,000.00, 90 Days, 5%

September 26, 1967 New loan $2,000.00, 90 Days, 5%
September 28, 1967 Note renewed $5,800.00, 90 Days, 5%
November 21, 1967 Note renewed for $12,650.00, 90 Days, 5%
December 21, 1967 Note renewed $4,000.00, 90 Days, 5.5%
January 24, 1968 Notes for $2,000.00 and $5,800.00 consolidated into note for $7,800.00, 90 Days, 5.5%
February 21, 1968 Note renewed $12,650.00 90 Days, 5.5%
March 18, 1968 Note renewed $4,000.00, 90 Days, 5.5%
March 26, 1968 Note renewed $7,800.00, 90 Days, 5.5%
May 20, 1968 Note renewed $12,650.00, 90 days, 6.0%
June 25, 1968 Note renewed $4,000.00, 90 Days, 6.0%
June 25, 1968 Note renewed for $7,800.00, 90 Days, 6.0%
August 19, 1968 Note renewed for $12,650.00, 90 Days, 6.0%
September 20, 1968 Note renewed for $4,000.00, 90 Days, 6.0%
September 23, 1968 Note renewed for $7,800.00, 90 Days, 6.0%
November 21, 1968 Note renewed $12,650.00, 90 Days, 5.75%
December 18, 1968 Note renewed for $4,000.00, 90 Days, 6.0%
December 23, 1968 Note renewed $7,800.00, 90 Days, 6%
February 19, 1969 Note renewed $12,650.00, 90 Days, 6.5%
March 14, 1969 New loan $28,704.00, 90 Days, 7.5%
March 24, 1969 Note renewed for $7,800.00, 90 Days, 6.5%
March 25, 1969 Note renewed $4,000.00, 90 Days, 6.5%
May 19, 1969 Note renewed $12,650.00, 90 Days, 6.5%
June 13, 1969 Note renewed $19,704.00, 90 Days, 7.5%
June 16, 1969 Note renewed $4,000.00, 90 Days, 6.5%
June 26, 1969 Note renewed $7,800.00, 90 Days, 7.5%
September 5, 1969 Note renewed $12,650.00, 90 Days, 7.5%
September 19, 1969 Note renewed $4,000.00, 90 Days, 7.5%
September 22, 1969 Note renewed $19,704.00, 90 Days, 7.5%

September 24, 1969 Note renewed $7,800.00, 90 Days, 7.5%
November 18, 1969 Note renewed $12,650.00, 90 Days, 7.5%
December 15, 1969 Note renewed $4,000.00, 90 Days, 7.0%
December 29, 1969 Note renewed $7,800.00, 90 Days, 6.5%
February 17, 1970 Note renewed $12,650.00, 90 Days, 7.5%
March 12, 1970 Notes for $4,000.00 and $19,704.00 and $7,800.00 consolidated into a note for $31,504.00, 90 Days, 7.5%
April 14, 1970 New loan $4,000.00, 90 Days, 7%
April 28, 1970 New loan $5,000.00, 90 Days, 7%
May 19, 1970 Note renewed $12,650.00, 90 Days, 7%
June 8, 1970 Note renewed $31,504.00, 90 Days, 7%
June 8, 1970 New loan $5,000.00, 90 Days, 7%
July 15, 1970 Note renewed $4,000.00, 90 Days, 7%
August 19, 1970 Note renewed for $12,650.00, 90 Days, 7%
September 17, 1970 Note renewed for $31,504.00, 90 Days, 7%
October 5, 1970, New loan $4,000.00, 105 Days, 6.25%
October 13, 1970 Note renewed 000.00, 90 Days, 6.25%
October 13, 1970 New loan $1, 00, 90 Days, 6.25%
November 12, 1970, New loan $ .00, 90 Days, 6.25%
November 19, 1970 Note renewed 2,650.00, 90 Days, 6.5%
November 19, 1970 New loan $2,5 0, 90 Days, 6.5%
December 17, 1970 Note renewed 31,504.00, 90 Days, 6%
January 27, 1971 Note of $4,000 renewed, 90 Days, 6%
February 22, 1971 Note of $12,650.00 renewed 90 Days, 6%
March 5, 1971 New loan $5,000.00, 90 Days, 5.75%
March 15, 1971 Note of $1,000.00 renewed 90 Days, 6%
March 15, 1971 Note of $31,504.00, renewed 90 Days, 5.75%
1,055 shares of First National Bancorporation are held as security for all loans, the voting rights in the name of the borrower. Purpose of loans: $4,000.00 Cattle venture; $12,650.00 to purchase First National Bank

of Denver stock; $5,000.00 cattle venture; $31,504.00 purchase of unlisted securities; $1,000.00 Personal Expenses.

18. Loans outstanding on 1/1/67 total $2,900.00
January 9, 1967 Note renewed $2,900.00, 180 Days, 5%
July 7, 1967 Note renewed $2,900.00, 180 Days, 5%
January 10, 1968 Note of $2,900.00 renewed 180 Days, 5.5%
March 6, 1968 New Loan $300.00 90 Days, 6%
May 15, 1968 New loan $600.00, 90 Days, 6.5%
June 12, 1968 Notes of $300.00 and $600.00 consolidated for $900.00, 90 Days, 7%
July 9, 1968 Note $2,900.00 renewed 180 Days, 6%
September 10, 1968 Note for $900.00 renewed 90 Days, 6.5%
December 19, 1968 Note for $900.00 renewed 90 Days, 6.5%
January 23, 1969 Note $2,900.00 renewed 180 Days, 6.5%
March 10, 1969 Note $900.00 renewed 90 Days, 6.75%
March 17, 1969 New note $2,000.00, 90 Days, 6.5%
July 28, 1969 Note $2,900.00 renewed 180 Days, 8%
July 28, 1969 Note $900.00 renewed 180 Days, 8%
January 12, 1970 Note $900.00 renewed 90 Days, 8.5%
January 27, 1970 New loan $3,000.00, 180 Days, 7.0%
July 31, 1970 Note $3,000.00 renewed 180 Days, 7%
February 10, 1971 Note $3,000.00 renewed 180 Days, 6.5%
Purpose of 4/9/71 outstanding loans was to buy unlisted stock

19. Real estate loan outstanding balance as of 4/9/71 $9,576.64, 20 years, 5%, made May 29, 1964, $12,500.00

20. July 14, 1967 new loan $500.00, 180 Days, 7%
October 2, 1967 New loan $1,100.00, 90 Days, 5%
January 10, 1968 Loans of $500.00 and $1,100.00 consolidated with a reduction to $1,300.00, 180 Days, 5.5%
April 15, 1968 Loan paid off
January 27, 1970 New loan for $3,000.00, 180 days, 7.5%
January 27, 1971, Note renewed $3,000.00, 180 Days, 7.5%

July 27, 1971 Note renewed for $3,000.00, 180 Days, 7.5%
January 27, 1971 Note renewed $2,000.00, 180 Days, 6%
Purpose of 4/9/71 outstanding loan to buy unlisted securities

. No Loans

. No Loans

. No Loans

. August 5, 1968 New loan $5,554.65, 90 Days, 6%
August 5, 1968 New loan $3,947.68, 180 Days, 6.5%
November 13, 1968 Note for $5,554.65 renewed, 90 Days, 6.5%
February 11, 1968 Note $5,554.65 renewed 90 Days, 6.5%
May 21, 1968 Note $5,554.65 renewed 90 Days, 6.5%
August 4, 1968 Note $5,554.65 renewed 90 Days, 7.5%
September 3, 1968 Note $3,947.68, renewed $3,207.32, 180 Days, 8%, monthly payments
November 3, 1969 Note $5,554.65 renewed, 90 Days, 7.5%
February 19, 1970 Note $3,947.68 renewed $5,554.65 consolidated into note for $8,761.97, 90 Days, 7.5%
April 15, 1970 New loan $11,200 90 Days, 8.5%
May 11, 1970 Loans $8,761.97 an 1,200.00 consolidated into note of $19,961,97, 90 Days, 7%
August 14, 1970 note of $19,961 renewed into 2 notes, one for $9,961.97, 90 Days, 7% and second for $10, 00 renewed 90 Days, 7%
November 18, 1970 note for $10, 00 renewed 90 Days, 7%
November 18, 1970 note $9,961.97 renewed 90 Days, 7%
February 11, 1971 Note renewed $10,000.00
All loans secured by 486 shares First National Bancorporation, voting rights in name of borrower. Purpose of Loans: $10,000.00 To exercise stock option on First National Bank Stock; $2,961.97 Personal Expenses

. No Loans

. No Loans

27. No Loans

28. June 5, 1969 New loan $4,500.00, 90 days, 6%
December 24, 1969 New loan $7,000.00, 180 Days, 7%
June 22, 1970 Note renewed $6,000.00, 180 Days, 7%
December 21, 1970 Note renewed $5,500.00, 180 Days, 6%
$5,500.00 total—Purpose of loan—Home Improvements

29. No Loans

30. No Loans

SOURCE OF CORRESPONDENT BANKING SERVICES TO COLORADO BANKS, JUNE 30, 1970

	City	Name of Bank	Location of C	
			Denver	Other Colorado
Colorado Cities With Population Over 100,000	Colorado Springs	Academy Boulevard Bank	1	3
		American Heritage Bank & Trust Co.	1	1
		Bank of Colorado	1	1
		Central Colorado Bank	3	4
		Colorado Commercial Bank	1	2
		Colorado Springs National Bank	3	1
		East Colorado Springs National Bank	1	1
		Exchange National Bank	3	1
		First National Bank	3	1
		Northern National Bank	1	2
		Pikes Peak National Bank	1	1
		Western National Bank	1	1
	Denver	American National Bank	*	*
		Central Bank & Trust Co.	*	*
		Bank of Denver	2	-
		Boulevard National Bank	3	-
		Center State Bank	3	-
		Cherry Creek National Bank	1	-
		Colfax National Bank	2	-
		Colorado State Bank	3	-
		Colorado National Bank	*	*
		Columbine State Bank	1	-
		FNB of Bear Valley	1	-
		First National Bank	*	*
		Guaranty Bank & Trust Co.	3	-
		Guaranty Bank of Stapleton	2	-

* No correspondents named but bank claims it has correspondents in all "Major Cities."

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SOURCE OF CORRESPONDENT BANKING SERVICES TO COLORADO BANKS, JUNE 30, 1970

City	Name of Bank	Location of Correspondent			
		Denver	Other Colorado	Outside Colorado	Total
Colorado Springs	Academy Boulevard Bank	1	3	-	4
	American Heritage Bank & Trust Co.	1	1	2	4
	Bank of Colorado	1	1	1	3
	Central Colorado Bank	3	4	6	13
	Colorado Commercial Bank	1	2	5	8
	Colorado Springs National Bank	3	1	10	14
	East Colorado Springs National Bank	1	1	1	3
	Exchange National Bank	3	1	10	14
	First National Bank	3	1	17	21
	Northern National Bank	1	2	1	4
	Pikes Peak National Bank	1	1	1	3
	Western National Bank	1	1	-	2
Denver	American National Bank	*	*	14	14
	Central Bank & Trust Co.	*	*	1	1
	Bank of Denver	2	-	7	9
	Boulevard National Bank	3	-	2	5
	Center State Bank	3	-	2	5
	Cherry Creek National Bank	1	-	5	6
	Colfax National Bank	2	-	1	3
	Colorado State Bank	3	-	9	12
	Colorado National Bank	*	*	*	*
	Columbine State Bank	1	-	1	2
	FNB of Bear Valley	1	-	-	1
	First National Bank	*	*	53	53
	Guaranty Bank & Trust Co.	3	-	7	10
	Guaranty Bank of Stapleton	2	-	2	4

ients named but bank claims it has correspondents in all "Major Cities."

	City	Name of Bank	Denver	Other Colorado	Co
Colorado Cities With Population Over 100,000	Denver	Metro National Bank	1	-	
		Mid States Bank	1	2	
		Montbello State Bank	1	1	
		Mountain States Bank	2	-	
		National City Bank of Denver	2	-	
		North Denver Bank	2	-	
		Northeast Colorado National Bank	1	-	
		Security National Bank	3	1	
		South Colorado National Bank	1	-	
		Southwest State Bank	4	-	
		Union National Bank	2	-	
		University Hills Bank	1	1	
		Western National Bank	1	-	
		United Bank of Denver	*	*	
Colorado Cities With Population 50,000 - 100,000	Aurora	Aurora National Bank	1	-	
		Peoples Bank & Trust Co.	4	-	
		United Bank of Aurora	1	-	
	Boulder	Arapahoe National Bank	-	1	
		Boulder National Bank	1	-	
		First National Bank	3	-	
		National State Bank	2	-	
		Security Bank	1	-	
		United Bank of Boulder	2	-	

* No correspondents named but bank claims it has correspondents in all "Major Cities."

City	Name of Bank	Denver	Other Colorado	Outside Colorado	Total
Denver	Metro National Bank	1	-	-	1
	Mid States Bank	1	2	1	4
	Montbello State Bank	1	1	1	3
	Mountain States Bank	2	-	2	5
	National City Bank of Denver	2	-	4	6
	North Denver Bank	2	-	6	8
	Northeast Colorado National Bank	1	-	-	1
	Security National Bank	3	1	4	7
	South Colorado National Bank	1	-	-	1
	Southwest State Bank	4	-	1	5
	Union National Bank	2	-	6	8
	University Hills Bank	1	1	4	6
	Western National Bank	1	-	-	1
	United Bank of Denver	*	*	45	45
Aurora	Aurora National Bank	1	-	1	2
	Peoples Bank & Trust Co.	4	-	7	11
	United Bank of Aurora	1	-	1	2
Boulder	Arapahoe National Bank	-	1	1	2
	Boulder National Bank	1	-	3	4
	First National Bank	3	-	10	13
	National State Bank	2	-	8	10
	Security Bank	1	-	5	6
	United Bank of Boulder	2	-	3	5

named but bank claims it has correspondents in all "Major Cities."

	City	Name of Bank	Denver	Other Colorado
Colorado Cities With Population 50,000 - 100,000	Lakewood	First Westland National Bank	2	2
		Jefferson County Bank	4	-
		Lakewood Colorado National Bank	2	-
		United Bank of Lakewood	1	-
	Pueblo	First National Bank	3	-
		Midtown National Bank	2	1
		Minnequa Bank	4	4
		Park National Bank	-	2
		Pueblo Bank & Trust Co.	3	1
		Republic National Bank	2	-
		United Bank of Pueblo	2	-
Colorado Cities With Population 25,000 - 50,000	Arvada	Arvada State Bank	3	-
		First National Bank	3	-
	Englewood	Continental National Bank	2	-
		First National Bank	3	-
		Republic National Bank	1	-
	Fort Collins	First National Bank	3	-
		Rocky Mountain Bank & Trust Co.	1	-
		United Bank of Fort Collins	1	-
		University National Bank	1	1

City	Name of Bank	Denver	Other Colorado	Outside Colorado	Total
Lakewood	First Westland National Bank	2	2	1	5
	Jefferson County Bank	4	-	6	10
	Lakewood Colorado National Bank	2	-	1	3
	United Bank of Lakewood	1	-	1	2
Pueblo	First National Bank	3	-	15	18
	Midtown National Bank	2	1	1	4
	Minnequa Bank	4	4	7	15
	Park National Bank	-	2	3	5
	Pueblo Bank & Trust Co.	3	1	6	10
	Republic National Bank	2	-	1	3
	United Bank of Pueblo	2	-	2	4
Arvada	Arvada State Bank	3	-	2	5
	First National Bank	3	-	1	4
Englewood	Continental National Bank	2	-	2	4
	First National Bank	3	-	5	8
	Republic National Bank	1	-	-	1
Fort Collins	First National Bank	3	-	10	13
	Rocky Mountain Bank & Trust Co.	1	-	-	1
	United Bank of Fort Collins	1	-	4	5
	University National Bank	1	1	-	2

	City	Name of Bank	Denver	Other Colorado	Out Colo
Colorado Cities With Population 25,000 - 50,000	Greeley	Cache National Bank	2	1	
		Greeley National Bank	3	-	
		West Greeley National Bank	2	1	
		United Bank of Greeley	1	-	
		First National Bank	3	-	
		State Bank of Greeley	1	1	
	Northglenn	First National Bank	1	-	
	Wheat Ridge	Lakeside National Bank	3	1	
		Wheat Ridge National Bank	2	1	
Colorado Cities With Population Under 25,000	Akron	Citizens National Bank	2	-	
	Alamosa	Alamosa National Bank	1	1	
		First National Bank	3	1	
	Aspen	Bank of Aspen	2	3	
	Ault	Farmers National Bank	2	1	
	Berthoud	Berthoud National Bank	-	1	
	Brighton	First Bank of Brighton	2	-	
	Broomfield	Broomfield Bank	1	-	
	Brush	Farmers State Bank	2	-	
		First National Bank	1	-	

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City	Name of Bank	Denver	Other Colorado	Outside Colorado	Total
Greeley	Cache National Bank	2	1	-	3
	Greeley National Bank	3	-	6	9
	West Greeley National Bank	2	1	-	3
	United Bank of Greeley	1	-	1	2
	First National Bank	3	-	8	11
	State Bank of Greeley	1	1	-	2
Northglenn	First National Bank	1	-	-	1
Wheat Ridge	Lakeside National Bank	3	1	3	7
	Wheat Ridge National Bank	2	1	-	3
Akron	Citizens National Bank	2	-	5	7
Alamosa	Alamosa National Bank	1	1	4	6
	First National Bank	3	1	3	7
Aspen	Bank of Aspen	2	3	2	7
Ault	Farmers National Bank	2	1	1	4
Berthoud	Berthoud National Bank	-	1	-	1
Brighton	First Bank of Brighton	2	-	7	9
Broomfield	Broomfield Bank	1	-	-	1
Brush	Farmers State Bank	2	-	3	5
	First National Bank	1	-	1	2

	City	Name of Bank	Denver	Other Colorado	Co
olorado Cities ith Population nder 25,000	Buena Vista	Buena Vista Bank & Trust Co.	3	-	
	Burlington	Bank of Burlington	2	-	
		First National Bank	1	-	
	Byers	Byers State Bank	1	-	
	Calhan	Farmers State Bank	2	2	
	Canon City	First National Bank	2	2	
		Fremont National Bank	1	2	
	Castle Rock	Bank of Douglas Co.	2	-	
	Cedaredge	First National Bank	1	1	
	Center	First National Bank	2	2	
	Cheyenne Wells	Eastern Colorado Bank	2	-	
	Commerce City	Metropolitan State Bank	2	-	
	Cortez	Citizens Bank	1	-	
		First National Bank	2	2	
	Craig	Moffat County State Bank	3	-	
	Cripple Creek	First National Bank	1	1	

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City	Name of Bank	Denver	Other Colorado	Outside Colorado	Total
Buena Vista	Buena Vista Bank & Trust Co.	3	-	1	4
Burlington	Bank of Burlington	2	-	3	5
	First National Bank	1	-	2	3
Byers	Byers State Bank	1	-	1	2
Calhan	Farmers State Bank	2	2	2	6
Canon City	First National Bank	2	2	2	6
	Fremont National Bank	1	2	1	4
Castle Rock	Bank of Douglas Co.	2	-	2	4
Cedaredge	First National Bank	1	1	-	2
Center	First National Bank	2	2	1	5
Cheyenne Wells	Eastern Colorado Bank	2	-	2	4
Commerce City	Metropolitan State Bank	2	-	4	6
Cortez	Citizens Bank	1	-	3	4
	First National Bank	2	2	2	6
Craig	Moffat County State Bank	3	-	1	4
Cripple Creek	First National Bank	1	1	1	3

	City	Name of Bank	Denver	Other Colorado	C
olorado Cities ith Population nder 25,000	Del Norte	Rio Grande County Bank	1	2	
	Delta	Colorado Bank & Trust Co.	1	-	
		National Bank	1	1	
	Delores	Delores State Bank	1	2	
	Dove Creek	Dove Creek State Bank	2	1	
	Durango	Bank of Durango	1	1	
		Burns National Bank	1	-	
		First National Bank	3	-	
	Eads	First National Bank	1	1	
	Eagle	First National Bank of Eagle County	3	-	
	Eaton	Eaton Bank	2	-	
	Erie	Erie Bank	2	2	
	Estes Park	Estes Park Bank	2	-	
		First National Bank	2	1	
	Evergreen	First National Bank	4	1	

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City	Name of Bank	Denver	Other Colorado	Outside Colorado	Total
Del Norte	Rio Grande County Bank	1	2	-	3
Delta	Colorado Bank & Trust Co.	1	-	5	6
	National Bank	1	1	1	3
Delores	Delores State Bank	1	2	2	5
Dove Creek	Dove Creek State Bank	2	1	3	6
Durango	Bank of Durango	1	1	-	2
	Burns National Bank	1	-	5	6
	First National Bank	3	-	9	12
Eads	First National Bank	1	1	2	4
Eagle	First National Bank of Eagle County	3	-	-	3
Eaton	Eaton Bank	2	-	1	3
Erie	Erie Bank	2	2	-	4
Estes Park	Estes Park Bank	2	-	1	3
	First National Bank	2	1	1	4
Evergreen	First National Bank	4	1	-	5

	City	Name of Bank	Denver	Other Colorado
Colorado Cities With Population Under 25,000	Fairplay	Bank of Fairplay	3	1
	Flager	First National Bank	1	-
	Fleming	First National Bank	1	-
	Florence	First National Bank	3	3
	Fort Carson	Fort Carson National Bank	-	1
	Fort Lupton	Fort Lupton State Bank	1	1
	Fort Morgan	Farmers State Bank	2	-
		First National Bank	2	1
	Fountain	First State Bank	2	2
	Fowler	First National Bank	1	1
		Fowler State Bank	1	2
	Frisco	Summit County Bank	1	-
	Fruita	Fruita State Bank	2	2
	Glendale	South Denver National Bank	1	-
	Glenwood Springs	Bank of Glenwood	2	1
		First National Bank	4	-

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City	Name of Bank	Denver	Other Colorado	Outside Colorado	Total
Fairplay	Bank of Fairplay	3	1	-	4
Flager	First National Bank	1	-	1	2
Fleming	First National Bank	1	-	4	5
Florence	First National Bank	3	3	2	8
Fort Carson	Fort Carson National Bank	-	1	-	1
Fort Lupton	Fort Lupton State Bank	1	1	-	2
Fort Morgan	Farmers State Bank	2	-	4	6
	First National Bank	2	1	2	5
Fountain	First State Bank	2	2	-	4
Fowler	First National Bank	1	1	1	3
	Fowler State Bank	1	2	1	4
Frisco	Summit County Bank	1	-	-	1
Fruita	Fruita State Bank	2	2	1	5
Glendale	South Denver National Bank	1	-	1	2
Glenwood Springs	Bank of Glenwood	2	1	1	4
	First National Bank	4	-	4	8

	City	Name of Bank	Denver	Other Colorado
Colorado Cities With Population Under 25,000	Golden	First National Bank	2	-
		Golden State Bank	2	-
	Granada	American State Bank	1	1
	Granby	Middle Park Bank	1	-
	Grand Junction	First National Bank	4	-
		Mesa National Bank	1	-
		United States Bank	4	-
	Gunnison	First National Bank	2	-
		Gunnison Bank & Trust Co.	3	-
	Haxtun	Haxtun Community Bank	1	-
	Hayden	Yampa Valley State Bank	1	-
	Hereford	Hereford State Bank	1	1
	Holly	First Bank & Trust Co.	1	1
	Holyoke	First National Bank	1	-
		Holyoke Bank & Trust Co.	1	-
	Hotchkiss	First National Bank	1	1
	Hugo	First National Bank	2	-

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	Name of Bank	Denver	Other Colorado	Outside Colorado	Total
	First National Bank	2	-	6	8
	Golden State Bank	2	-	1	3
	American State Bank	1	1	2	4
	Middle Park Bank	1	-	-	1
tion	First National Bank	4	-	9	13
	Mesa National Bank	1	-	1	2
	United States Bank	4	-	10	14
	First National Bank	2	-	2	4
	Gunnison Bank & Trust Co.	3	-	3	6
	Haxtun Community Bank	1	-	1	2
	Yampa Valley State Bank	1	-	-	1
	Hereford State Bank	1	1	2	4
	First Bank & Trust Co.	1	1	3	5
	First National Bank	1	-	3	4
	Holyoke Bank & Trust Co.	1	-	-	1
	First National Bank	1	1	3	5
	First National Bank	2	-	2	4

orado Cities Population er 25,000	City	Name of Bank	Denver	Other Colorado
	Idaho Springs	First State Bank	1	-
	Ignacio	Bank of Ignacio	1	4
	Jefferson County	Almeda National Bank	1	-
	Johnstown	First National Bank	3	-
	Julesburg	First National Bank	3	-
	Keenesburg	Citizens State Bank	2	-
	Kiowa	Kiowa State Bank	2	-
	Kirk	Kirk State Bank	1	-
	Kit Carson	Kit Carson State Bank	4	-
	Kremmling	Bank of Kremmling	1	-
	Lafayette	First National Bank	3	1
	LaJara	First National Bank	3	-
	LaJunta	Colorado Bank & Trust Co.	3	1
		LaJunta State Bank	1	1

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City	Name of Bank
Idaho Springs	First State Bank
Ignacio	Bank of Ignacio
Jefferson County	Almeda National Bank
Johnstown	First National Bank
Julesburg	First National Bank
Keenesburg	Citizens State Bank
Kiowa	Kiowa State Bank
Kirk	Kirk State Bank
Kit Carson	Kit Carson State Bank
Kremmling	Bank of Kremmling
Lafayette	First National Bank
LaJara	First National Bank
LaJunta	Colorado Bank & Trust Co. LaJunta State Bank

Denver	Other Colorado	Outside Colorado	Total
1	-	1	2
1	4	-	5
1	-	-	1
3	-	3	6
3	-	3	6
2	-	3	5
2	-	2	4
1	-	-	1
4	-	1	5
1	-	3	4
3	1	-	4
3	-	1	4
3	1	4	8
1	1	1	3

	City	Name of Bank	Denver	Other Colorado
rado Cities Population r 25,000	Lamar	First National Bank	3	1
		Valley State Bank	1	-
	LaSalle	South Platte National Bank	1	1
	Las Animas	First National Bank	2	1
	Leadville	Commercial Bank	3	1
	Limon	First National Bank	1	-
	Littleton	First National Bank of Southglenn	1	-
		Littleton National Bank	2	-
		United Bank of Littleton	1	-
	Longmont	First National Bank	2	-
		Longmont National Bank	1	-
		St. Vrain Valley Bank	1	-
	Louisville	First National Bank	2	1
	Loveland	First National Bank	3	-
		Home State Bank	4	-
		Westlake First National Bank	1	1

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City	Name of Bank	Denver	Other Colorado	Outside Colorado	Total
Lamar	First National Bank	3	1	3	7
	Valley State Bank	1	-	1	2
LaSalle	South Platte National Bank	1	1	1	3
Las Animas	First National Bank	2	1	-	3
Leadville	Commercial Bank	3	1	1	5
Limon	First National Bank	1	-	3	4
Littleton	First National Bank of Southglenn	1	-	-	1
	Littleton National Bank	2	-	3	5
	United Bank of Littleton	1	-	2	3
Longmont	First National Bank	2	-	3	5
	Longmont National Bank	1	-	4	5
	St. Vrain Valley Bank	1	-	-	1
Louisville	First National Bank	2	1	-	3
Loveland	First National Bank	3	-	4	7
	Home State Bank	4	-	4	8
	Westlake First National Bank	1	1	-	2

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th Population
der 25,000

City	Name of Bank	Denver	Othe Colora
Mancos	Mancos State Bank	1	1
Manitou Springs	Bank of Manitou	1	1
Monzanola	N. N. Beaty & Co.	1	1
McClave	McClave State Bank	1	2
Meeker	First National Bank	1	1
Monte Vista	Fidelity Bank & Trust Co.	3	2
Montrose	First National Bank	3	1
	Montrose National Bank	2	2
Norwood	San Miguel State Bank	1	1
Ordway	First National Bank	2	1
Otis	First National Bank	2	-
Ouray	Citizens State Bank	1	2
Pagosa Springs	Citizens	2	2
Palisades	Palisades National Bank	1	1
Paonia	First National Bank	1	-

City	Name of Bank	Denver	Other Colorado	Outside Colorado	Total
Mancos	Mancos State Bank	1	1	-	2
Manitou Springs	Bank of Manitou	1	1	1	3
Monzanola	N. N. Beaty & Co.	1	1	4	6
McClave	McClave State Bank	1	2	1	4
Meeker	First National Bank	1	1	3	5
Monte Vista	Fidelity Bank & Trust Co.	3	2	-	5
Montrose	First National Bank	3	1	3	8
	Montrose National Bank	2	2	2	6
Norwood	San Miguel State Bank	1	1	1	3
Ordway	First National Bank	2	1	2	5
Otis	First National Bank	2	-	2	4
Ouray	Citizens State Bank	1	2	1	4
Pagosa Springs	Citizens	2	2	2	6
Palisades	Palisades National Bank	1	1	-	2
Paonia	First National Bank	1	-	1	2

	City	Name of Bank	Denver	Other Colorado
olorado Cities ith Population nder 25,000	Rangely	Bank of Rangely	2	1
	Rifle	First National Bank	2	1
	Rocky Ford	Empire State Bank	1	1
		Rocky Ford National Bank	2	2
	Salida	First National Bank	1	2
	Security	Bank of Fountain Valley	1	2
	Springfield	First National Bank	2	1
	Steamboat Springs	Routt County National Bank	3	-
	Sterling	Commercial Savings Bank	2	-
		First National Bank	2	-
		Security State Bank	2	-
	Strasburg	First National Bank	2	-
	Stratton	First National Bank	3	-
	Telluride	Bank of Telluride	1	1
	Thornton	North Valley State Bank	1	-
	Trinidad	First National Bank	1	1
		Trinidad National Bank	1	1

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City	Name of Bank
Rangely	Bank of Rangely
Rifle	First National Bank
Rocky Ford	Empire State Bank Rocky Ford National Bank
Salida	First National Bank
Security	Bank of Fountain Valley
Springfield	First National Bank
Steamboat Springs	Routt County National Bank
Sterling	Commercial Savings Bank First National Bank Security State Bank
Strasburg	First National Bank
Stratton	First National Bank
Telluride	Bank of Telluride
Thornton	North Valley State Bank
Trinidad	First National Bank Trinidad National Bank

Denver	Other Colorado	Outside Colorado	Total
2	1	-	3
2	1	1	4
1	1	1	3
2	2	2	6
1	2	3	6
1	2	1	4
2	1	4	7
3	-	2	5
2	-	3	5
2	-	5	7
2	-	5	7
2	-	4	6
3	-	3	6
1	1	-	2
1	-	3	4
1	1	3	5
1	1	4	6

	City	Name of Bank	Denver	Other Colorado
Colorado Cities With Population Under 25,000	USAF Academy	Air Academy National Bank	2	1
	Vail	Bank of Vail	2	3
	Walden	North Park State Bank	1	-
	Walsenburg	First National Bank	1	1
	Walsh	Colorado State Bank	2	1
	Westminster	First National Bank	2	-
		Citizens Bank	1	-
	Wiley	State Bank	1	2
	Windsor	First National Bank	2	-
	Woodland Park	Park State Bank	1	1
	Wray	First National Bank	3	-
	Yuma	Farmers State Bank	3	1

SOURCE: Polk's Bank Directory, September, 1970; Rand McNally's Bank Directory, Second Issue, 1969.

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City	Name of Bank	Denver	Other Colorado	Outside Colorado	Total
USAF Academy	Air Academy National Bank	2	1	1	4
Vail	Bank of Vail	2	3	-	5
Walden	North Park State Bank	1	-	-	1
Walsenburg	First National Bank	1	1	1	3
Walsh	Colorado State Bank	2	1	4	7
Westminster	First National Bank	2	-	1	3
	Citizens Bank	1	-	2	3
Wiley	State Bank	1	2	1	4
Windsor	First National Bank	2	-	3	5
Woodland Park	Park State Bank	1	1	-	2
Wray	First National Bank	3	-	1	4
Yuma	Farmers State Bank	3	1	5	9

Bank Directory, September, 1970; Rand McNally's Bank Directory, Second Issue, 1969.

Plaintiff's Exhibit 188

First National Bank of Greeley
Year-End Interbank Demand Deposits in Denver Correspondent Banks as a Percentage of Total Interbank Deposits in All U.S. Banks, 1967-1970

Year	Total Interbank Demand Deposits In All U.S. Banks (000)	Interbank Demand Deposits In Denver Correspondents Banks (000)	%
1967	$3,078,808	$2,879,813	93.5
1968	1,887,533	1,711,669	90.7
1969	1,516,254	1,335,023	88.0
1970	1,401,329	1,205,201	86.0

Source: Interrogatory 25.

Plaintiff's Exhibit 189

Proposed Subsidiary Banks* Demand Balances With Six Denver Correspondent Banks as Percentage of Total Demand Balances with all U.S. Banks, December 31, 1969

Name of Bank	Demand Balances With All U.S. Banks (000)	Demand Balances With 6 Denver Correspondent Banks (000)	%
First National Bank of Greeley	$ 1,516	$ 1,335	88.0%
Security State Bank of Sterling	1,314	991	75.4
National State Bank of Boulder	1,809	1,450	80.2
Colorado Springs National Bank	$ 2,606	$ 1,989	76.3%

* Includes the 3 banks proposed to be acquired by First National Bancorporation, Inc. and one bank, Colorado Springs National Bank, proposed to be acquired by United Banks of Colorado, Inc.

Source: Interrogatory 25 for First National Bank of Greeley; Deposition answers of 3 other banks.

Plaintiff's Exhibit 190

Proposed Subsidiary Banks * Demand Balances with Six Denver Correspondent Banks as Percentage of Total Demand Balances with all U.S. Banks, August 31, 1970

Name of Bank	Demand Balance With All U.S. Banks (000)	Demand Balances With 6 Denver Correspondent Banks (000)	%
First National Bank of Greeley	$ 1,401	$ 1,205	86.0%
Security State Bank of Sterling	1,004	798	79.5
National State Bank of Boulder	2,848	2,461	86.4
Colorado Springs National Bank	$ 1,135	$ 404	35.6%

* Includes the 3 banks proposed to be acquired by First National Bancorporation, Inc. and one bank, Colorado Springs National Bank, proposed to be acquired by United Banks of Colorado, Inc.

Source: Interrogatory 25 for First National Bank of Greeley; Deposition answers of 3 other banks.

COPY

FIRST NATIONAL BANK O
NUMBER AND DOLLAR AMOUNT OF LO
SOLD TO DENVER AND NON-

r	No. of Participations Sold				
	Total	To Denver Banks	%	To Other Banks	
7	55	51	92.7	4	7
8	45	42	93.3	3	8
9	29	29	100.0	0	
0*	20	13	65.0	7	3

Through August 11, 1970.

urce: Interrogatory 18

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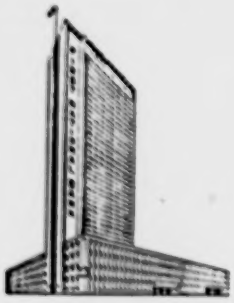
FIRST NATIONAL BANK OF GREELEY
NUMBER AND DOLLAR AMOUNT OF LOAN PARTICIPATIONS
SOLD TO DENVER AND NON-DENVER BANKS

rticipations Sold				Dollar Amount of Participations Sold				
ks	%	To Other Banks	%	Total	To Denver Banks	%	To Other Banks	%
	92.7	4	7.3	$ 5,833,280	$ 5,073,030	87.0	$ 760,250	13.0
	93.3	3	6.7	6,775,552	6,192,302	91.4	583,250	8.6
	100.0	0	0	6,043,753	6,043,753	100.0	0	0
	65.0	7	35.0	4,052,289	2,831,739	69.9	1,221,150	30.1



THE FIRST NATIONAL BANK OF DENVER

P.O. BOX 5808 TELEPHONE 303•893-2211
DENVER, COLORADO 80217

ACCOUNT ANALYSIS FOR THE
MONTH OF _____

ACCOUNT NAME _____

ACCOUNT NUMBER _____

EARNINGS ALLOWANCE

AVERAGE BALANCE	$ _____
LESS UNCOLLECTED FUNDS	_____
NET BALANCE	_____
LESS LEGAL RESERVE OF 17½%	_____
NET FUNDS AVAILABLE FOR INVESTMENT	_____
EARNINGS CREDIT 5%	_____
	$ _____

ACCOUNT EXPENSE

INTEREST ON EXCESS UNCOLLECTED FUNDS	@	$ _____
ACCOUNT MAINTENANCE	@	_____
ITEMS DEPOSITED	@	_____
ITEMS DEPOSITED (S AMOUNT ENCODED)	@	_____
LEDGER ENTRIES	@	_____
RETURNED ITEMS (RERUN)	@	_____
RETURNED ITEMS (CHARGED)	@	_____
STOP PAYMENTS	@	_____
CUSTOMERS DRAFTS	@	_____
CLEARINGS BUNCHES (S AMOUNT ENCODED)	@	_____
WIRE TRANSFERS	@	_____
TRANSFERS (OTHERS)	@	_____
COUPONS (PER ENVELOPE)	@	_____
SPECIAL STATEMENTS	@	_____
SECURITIES DRAFTS	@	_____
COLLECTIONS	@	_____
CURRENCY & COIN PREPARATION	@	_____
ACCOUNT RECONCILIATION	@	_____
LOCK BOX	@	_____
	@	_____
	@	_____
	@	_____
	@	_____
	@	_____

TOTAL EXPENSE $ _____

NET DIFFERENCE $ _____

INTERBANK DEMANPOSITS OF SIX DENVER CORRESPONDENT BANKS AS PERCENTAGES OEH BANK'S TOTAL DEPOSITS, DECEMBER 31, 1969

	Total Deposits (000)	'otal Interbank ıand Deposits From All U.S. Banks (000)	% of Total Deposits	Total Interba Demand Deposits Colorado Banks (000)
First National Bank of Denver	$ 507,340	$ 67,614	13.3%	$ 46,724
United Bank of Denver, N.A.	473,836	47,342	10.0	26,739
Central Bank & Trust Co.	209,624	35,136	16.8	22,021
American National Bank	130,873	31,503	24.1	13,493
Colorado National Bank	283,687	25,103	8.8	13,921
Security National Bank	42,581	2,360	5.5	1,182
TOTAL: 6 Denver Correspondent Banks	$ 1,647,941	$ 209,058	12.7%	$ 124,080

URCE: Interrogatory 22 for First National Bank of Denver; Depositic answers of five other banks; Polk's Bank Directory, March, 1970.

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INTERBANK DEMANPOSITS OF SIX DENVER CORRESPONDENT
BANKS AS PERCENTAGES OEH BANK'S TOTAL DEPOSITS, DECEMBER 31, 1969

	Total Deposits (000)	'otal Interbank ıand Deposits From All U.S. Banks (000)	% of Total Deposits	Total Interbank Demand Deposits From Colorado Banks (000)	% of Total Deposits
f Denver	$ 507,340	$ 67,614	13.3%	$ 46,724	9.2%
, N.A.	473,836	47,342	10.0	26,739	5.6
Co.	209,624	35,136	16.8	22,021	10.5
k	130,873	31,503	24.1	13,493	10.3
k	283,687	25,103	8.8	13,921	4.9
k	42,581	2,360	5.5	1,182	2.8
Correspondent Banks	$ 1,647,941	$ 209,058	12.7%	$ 124,080	7.5%

22 for First National Bank of Denver; Depositic answers of five other banks; Polk's Bank Directory,

AMOUNT AND ORIGIN OF INTERBANK DEMAND DEPOSITS, COLORADO AND OTHER U.S.,
IN SIX DENVER CORRESPONDENT BANKS, DECEMBER 31, 1969

	Total Interbank Demand Deposits					
	From All U.S. Banks	% of Total U.S.	From Other Colorado Banks	% of Total U.S.	From Banks Outside Colorado	% of Total U.S.
First National Bank of Denver	$ 67,614,136	100.0%	$ 46,724,471	69.1%	$ 20,889,665	30.9%
United Bank of Denver, N.A.	47,341,915	100.0	26,738,908	56.5	20,603,007	43.5
Central Bank & Trust Co.	35,136,063	100.0	22,021,469	62.7	13,114,595	37.3
American National Bank of Denver*	31,502,956	100.0	13,492,841	42.8	18,010,115	57.2
Colorado National Bank	25,103,305	100.0	13,921,125	55.5	11,182,180	44.5
Security National Bank	2,360,495	100.0	1,181,938	50.1	1,178,556	49.9
TOTAL: 6 Denver Correspondent Banks	$ 209,058,870	100.0%	$ 124,080,752	59.4%	$ 84,978,118	40.6%

AMOUNT AND ORIGIN OF INTERBANK DEMAND DEPOSITS, COLORADO AND OTHER U.S., IN SIX DENVER CORRESPONDENT BANKS, DECEMBER 31, 1969

	Total Interbank Demand Deposits Minus Such Deposits From Affiliated Banks					
	From All U.S. Banks	% of Total U.S.	From Other Colorado Banks	% of Total U.S.	From Banks Outside Colorado	% of Total U.S.
First National Bank of Denver	$ 66,303,924	100.0%	$ 45,414,259	68.5%	$ 20,889,665	31.5%
United Bank of Denver, N.A.	42,243,765	100.0	21,640,758	51.2	20,603,007	48.8
Central Bank & Trust Co.	35,136,063	100.0	22,021,469	62.7	13,114,595	37.3
American National Bank of Denver*	14,706,439	100.0	10,874,781	73.9	3,831,658	26.1
Colorado National Bank	23,492,284	100.0	12,310,104	52.4	11,182,180	47.6
Security National Bank	2,065,678	100.0	887,122	42.9	1,178,556	57.1
TOTAL: 6 Denver Correspondent Banks	$ 183,948,153	100.0%	$ 113,148,493	61.5%	$ 70,799,661	38.5%

* Member of Western Bancorporation, with 23 subsidiary banks in 11 Western States.

SOURCE: Interrogatory 22 for First National Bank of Denver; deposition answers of five other banks.

AMOUNT AND ORIGIN OF INTERBANK DEMAND DEPOSITS, COLORADO AND OTHER U.S.,
IN SIX DENVER CORRESPONDENT BANKS, AUGUST 31, 1970

	Total Interbank Demand Deposits					
	From All U.S. Banks	% of Total U.S.	From Other Colorado Banks	% of Total U.S.	From Banks Outside Colorado	% of Total U.S.
First National Bank of Denver	$ 54,315,118	100.0%	$ 36,903,609	67.9%	$ 17,411,509	32.1%
United Bank of Denver, N.A.	36,905,184	100.0	22,890,632	62.0	14,014,552	38.0
Central Bank & Trust Co.	33,529,850	100.0	23,076,691	68.8	10,453,159	31.2
American National Bank of Denver*	15,690,591	100.0	6,238,027	39.8	9,452,564	60.2
Colorado National Bank	18,745,369	100.0	9,019,071	48.1	9,726,798	51.9
Security National Bank	1,426,730	100.0	1,297,378	90.9	129,352	9.1
TOTAL: 6 Denver Correspondent Banks	$160,613,342	100.0%	$ 99,425,408	61.9%	$ 61,187,934	38.1

AMOUNT AND ORIGIN OF INTERBANK DEMAND DEPOSITS, COLORADO AND OTHER U.S., IN SIX DENVER CORRESPONDENT BANKS, AUGUST 31, 1970

			Total Interbank Demand Deposits Minus Such Deposits From Affiliated Banks			
	From All U.S. Banks	% of Total U.S.	From Other Colorado Banks	% of Total U.S.	From Banks Outside Colorado	% of Total U.S.
First National Bank of Denver	$ 52,600,898	100.0%	$ 35,189,389	66.9%	$ 17,411,509	33.1%
United Bank of Denver, N.A.	29,088,703	100.0	15,074,151	51.8	14,014,552	48.2
Central Bank & Trust Co.	33,529,850	100.0	23,076,691	68.8	10,453,159	31.2
American National Bank of Denver*	7,430,402	100.0	4,923,449	66.3	2,506,953	33.7
Colorado National Bank	17,811,057	100.0	8,084,259	45.4	9,726,798	54.6
Security National Bank	1,288,012	100.0	1,158,660	90.0	129,352	10.0
TOTAL: 6 Denver Correspondent Banks	$141,748,922	100.0%	87,506,599	61.7	54,242,323	38.3%

* Member of Western Bancorporation, with 23 subsidiary banks in 11 Western states.

SOURCE: Interrogatory 22 for First National Bank of Denver; deposition answers of five other banks.

SIX DENVER CORRESPONDENT BANKS
PERCENTAGE SHARE OF EACH OF INTERBANK DEMAND DEPOSITS
FROM ALL COLORADO BANKS IN 6 DENVER CORRESPONDENT BANKS, DECEMBER 31, 1969

	Total Interbank Demand Deposits From All Colorado Banks	%
First National Bank of Denver	$ 46,724,471	37.7
United Bank of Denver, N.A.	26,738,908	21.5
Central Bank & Trust Co.	22,021,469	17.7
American National Bank of Denver	13,492,841	10.9
Colorado National Bank	13,921,125	11.2
Security National Bank	1,181,938	1.0
TOTAL: 6 Denver Correspondent Banks	$124,080,752	100.0

SOURCE: Interrogatory 22 for First National Bank of Denver; Deposition answers of five other banks.

SIX DENVER CORRESPONDENT BANKS
PERCENTAGE SHARE OF EACH OF INTERBANK DEMAND DEPOSITS
FROM ALL COLORADO BANKS IN 6 DENVER CORRESPONDENT BANKS, AUGUST 31, 1970

	Total Interbank Demand Deposits From All Colorado Banks	%
First National Bank of Denver	$36,903,609	37.1
United Bank of Denver, N.A.	22,890,632	23.0
Central Bank & Trust Co.	23,076,691	23.2
Colorado National Bank	9,019,071	9.1
American National Bank	6,238,027	6.3
Security National Bank	1,297,378	1.3
TOTAL: 6 Denver Correspondent Banks	$99,425,408	100.0

SOURCE: Interrogatory 61 for First National Bank of Denver; Deposition answers of five other banks.

PLAINTIFF'S EXHIBIT 206

FIRST NATIONAL BANK OF GREELEY—YEAR END DEMAND BALANCES WITH OTHER U.S. BANKS, 1962-1969

Year	Year End Demand Balances With Banks in U.S. (000)	Rank Among All Colorado Banks (Excluding 6 Denver Correspondent Banks)
1962	$2,125	10th out of 167
1963	1,628	16th out of 189
1964	2,700	8th out of 201
1965	1,719	20th out of 203
1966	2,090	15th out of 208
1967	3,078	8th out of 211
1968	1,886	20th out of 213
1969	1,516	29th out of 217

Source: Federal Deposit Insurance Corporation Printouts; Interrogatory 25.

PLAINTIFF'S EXHIBIT 207

SECURITY STATE BANK OF STERLING—YEAR END DEMAND BALANCES WITH OTHER U.S. BANKS, 1962-1969

Year	Year End Demand Balances With Banks in U.S. (000)	Rank Among All Colorado Banks (Excluding 6 Denver Correspondent Banks)
1962	$ 956	38th out of 167
1963	1,440	21st out of 189
1964	1,205	33rd out of 201
1965	1,203	30th out of 177
1966	1,727	22nd out of 203
1967	709	67th out of 211
1968	2,009	19th out of 213
1969	1,231*	41st out of 217

* Does not reflect $83,056 reciprocal balance with Farmers State Bank of Yuma. Total demand balances with U.S. banks are thus $1,314 (000 omitted), as shown in Deposition answer of this bank.

Source: Federal Deposit Insurance Corporation Printouts; Deposition answer.

PLAINTIFF'S EXHIBIT 209

NATIONAL STATE BANK OF BOULDER—YEAR END DEMAND BALANCES WITH OTHER U.S. BANKS, 1962-1969

Year	Year End Demand Balances With Banks in U.S. (000)	Rank Among All Colorado Banks (Excluding 6 Denver Correspondent Banks)
1962	$2,228	9th out of 167
1963	1,439	22nd out of 189
1964	1,681	19th out of 201
1965	2,320	12th out of 177
1966	2,458	9th out of 203
1967	3,201	5th out of 211
1968	2,801	9th out of 213
1969	1,808	21st out of 217

Source: Federal Deposit Insurance Corporation Printouts; Deposition answer.

PLAINTIFF'S EXHIBIT 210

COLORADO SPRINGS NATIONAL BANK—YEAR END DEMAND BALANCES WITH OTHER U.S. BANKS, 1962-1969

Year	Year End Demand Balances With Banks in U.S. (000)	Rank Among All Colorado Banks (Excluding 6 Denver Correspondent Banks)
1962	$1,648	15th out of 167
1963	1,268	28th out of 189
1964	1,342	27th out of 201
1965	1,530	22nd out of 177
1966	1,112	36th out of 203
1967	1,313	32nd out of 211
1968	2,057	18th out of 213
1969	2,606	12th out of 217

Source: Federal Deposit Insurance Corporation Printouts; Deposition answer.

PROPOSED SUBSIDIARY BANKS
INTERBANK DEMAND DEPOSITS OF EACH IN 6
DENVER CORRESPONDENT BANKS AS A PERCENTAGE
OF TOTAL INTERBANK DEPOSITS FROM COLORADO BANKS IN
EACH DENVER CORRESPONDENT, AUGUST 31, 1970

Proposed Subsidiary Bank	Interbank Demand Deposits in 6 Denver Correspondent Banks (000)	As Percentage of Interbank Demand Deposits Fr Colorado Banks in 6 Denver Correspondent Ba				
		First National Bank of Denver	United Bank of Denver, N.A.	Central Bank & Trust Co.	Colorado National Bank	
		$36,904 = 100%	$22,891 = 100%	$23,077 = 100%	$9,019 = 100%	$6,
		%	%	%	%	
irst National ank of Greeley	$1,205	3.3	5.3	5.2	13.4	
ecurity State ank of Sterling	798	2.2	3.5	3.5	8.8	
ational State Bank f Boulder	2,461	6.7	10.8	10.7	27.3	
olorado Springs ational Bank	404	1.1	1.8	1.8	4.5	

ource: Interrogatory 25 for First National Bank of Greeley; Interrogatory 61 for First National Bank of Denver; Depos

ote: All dollar amounts in thousands.

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PROPOSED SUBSIDIARY BANKS
INTERBANK DEMAND DEPOSITS OF EACH IN 6
DENVER CORRESPONDENT BANKS AS A PERCENTAGE
OF TOTAL INTERBANK DEPOSITS FROM COLORADO BANKS IN
EACH DENVER CORRESPONDENT, AUGUST 31, 1970

Interbank Demand Deposits in 6 Denver Correspondent Banks (000)	As Percentage of Interbank Demand Deposits From All Colorado Banks in 6 Denver Correspondent Banks					
	First National Bank of Denver	United Bank of Denver, N.A.	Central Bank & Trust Co.	Colorado National Bank	American National Bank	Security National Bank
	$36,904 = 100%	$22,891 = 100%	$23,077 = 100%	$9,019 = 100%	$6,238 = 100%	$1,297 = 100%
	%	%	%	%	%	%
$1,205	3.3	5.3	5.2	13.4	19.3	92.9
798	2.2	3.5	3.5	8.8	12.8	61.5
2,461	6.7	10.8	10.7	27.3	39.5	190.0
404	1.1	1.8	1.8	4.5	6.5	31.1

25 for First National Bank of Greeley; Interrogatory 61 for First National Bank of Denver; Deposition answers of other banks.

nts in thousands.

PROPOSED SUBSIDIARY BANKS
INTERBANK DEMAND DEPOSITS OF EACH IN ALL 6
DENVER CORRESPONDENT BANKS AS A PERCENTAGE
OF TOTAL INTERBANK DEMAND DEPOSITS FROM ALL
COLORADO BANKS IN EACH DENVER CORRESPONDENT, DECEMBER 31, 1969

Proposed Subsidiary Bank	Interbank Demand Deposits in 6 Denver Correspondent Banks (000)	As Percentage of Interbank Demand Deposits From All Colorado Banks in Each Denver Correspondent				
		First National Bank of Denver	United Bank of Denver, N.A.	Central Bank & Trust Co.	Colorado National Bank	American National Bank
		$46,724 = 100%	$26,739 = 100%	$22,021 = 100%	$13,921 = 100%	$13,493 = [illegible]
		%	%	%	%	%
First National Bank of Greeley	$ 1,335	2.9	5.0	6.1	9.6	9.9
Security State Bank of Sterling	991	2.1	3.7	4.5	7.1	7.3
National State Bank of Boulder	1,450	3.1	5.4	6.6	10.4	10.7
Colorado Springs National Bank	1,989	4.3	7.4	9.0	14.3	14.7

Source: Interrogatory 25 for First National Bank of Greeley; Interrogatory 22 for First National Bank of Denver; Deposition Ans[illegible]

Note: All dollar amounts in thousands.

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PROPOSED SUBSIDIARY BANKS
INTERBANK DEMAND DEPOSITS OF EACH IN ALL 6
DENVER CORRESPONDENT BANKS AS A PERCENTAGE
OF TOTAL INTERBANK DEMAND DEPOSITS FROM ALL
COLORADO BANKS IN EACH DENVER CORRESPONDENT, DECEMBER 31, 1969

sed iary k	Interbank Demand Deposits in 6 Denver Correspondent Banks (000)	As Percentage of Interbank Demand Deposits From All Colorado Banks in Each Denver Correspondent					
		First National Bank of Denver	United Bank of Denver, N.A.	Central Bank & Trust Co.	Colorado National Bank	American National Bank	Security National B
		$46,724 = 100%	$26,739 = 100%	$22,021 = 100%	$13,921 = 100%	$13,493 = 100%	$1,182 = 1
		%	%	%	%	%	%
Jational f Greeley	$ 1,335	2.9	5.0	6.1	9.6	9.9	112.9
tyState Bank rling	991	2.1	3.7	4.5	7.1	7.3	83.8
l State Bank der	1,450	3.1	5.4	6.6	10.4	10.7	122.7
o Springs l Bank	1,989	4.3	7.4	9.0	14.3	14.7	168.3

Interrogatory 25 for First National Bank of Greeley; Interrogatory 22 for First National Bank of Denver; Deposition Answers of other banks.

All dollar amounts in thousands.

SUBSIDIARY BANKS IN MAJOR COLORADO CITIES (OUTSIDE DENVER

OFFERS CORRESPONDENT BANKING SERVICES, DECEMBER 31, 1969

City	Population (1970)	Rank in State	Name of Bank	Total Deposits December 31, 1969 (000)	Rank in City (Total Deposits)	Demand Balances With U.S. Banks, December 31, 1969 (000)	Rank Among All Colorado Banks (Excluding 6 Denver Correspondent Banks) (Demand Balances With U.S. Banks)	Holding Company Affiliation	Holding Company Subsidiary in Denver Which Offers Correspondent Banking Services
Boulder	66,870	6	United Bank of Boulder	$ 24,230	No. 3 of 6 banks	$ 1,177	46th out of 217	United Banks of Colorado, Inc.	United Bank of Denver, N.A.
			National State Bank of Boulder *	28,667	No. 2 of 6 banks	1,808	21st out of 217	First National Bancorporation	First National Bank of Denver
Colorado Springs	135,060	2							
			Colorado Springs National Bank **	36,085	No. 3 of 14 banks	2,606	12th out of 217	United Banks of Colorado, Inc.	United Bank of Denver, N.A.
Fort Collins	43,337	8	United Bank of Fort Collins, N.A.	30,521	No. 2 of 4 banks	1,215	44th out of 217	United Banks of Colorado, Inc.	United Bank of Denver, N.A.
			First National Bank of Fort Collins	50,239	No. 1 of 4 banks	3,933	4th out of 217	Western Bancorporation	American National Bank of Denver
Grand Junction	20,170	16	Mesa National Bank of Grand Junction	7,394	No. 3 of 3 banks	472	128th out of 217	United Banks of Colorado, Inc.	United Bank of Denver, N.A.
Greeley	38,902	9	United Bank of Greeley	24,109	No. 3 of 6 banks	903	62nd out of 217	United Banks of Colorado, Inc.	United Bank of Denver, N.A.
			First National Bank of Greeley **	40,263	No. 2 of 6 banks	1,516	29th out of 217	First National Bancorporation, Inc.	First National Bank of Denver

SUBSIDIARY BANKS IN MAJOR COLORADO CITIES (OUTSIDE DENVER AREA) OF BANK HOLDING COMPANIES WITH A DENVER BANK WHICH OFFERS CORRESPONDENT BANKING SERVICES, DECEMBER 31, 1969

City	Population (1970)	Rank in State	Name of Bank	Total Deposits December 31, 1969 (000)	Rank in City (Total Deposits)	Demand Balances With U.S. Banks, December 31, 1969 (000)	Rank Among All Colorado Banks (Excluding 6 Denver Correspondent Banks) (Demand Balances With U.S. Banks)	Holding Company Affiliation	Holding Company Subsidiary in Denver Which Offers Correspondent Banking Services
Pueblo	97,453	3	United Bank of Pueblo	$ 13,458	No. 4 of 7 banks	$ 371	144th out of 217	United Banks of Colorado, Inc.	United Bank of Denver, N.A.
Sterling	10,636	24	Security State Bank of Sterling	22,707	No. 1 of 4 banks	1,231	41st out of 217	First National Bancorporation, Inc.	First National Bank of Denver

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* Applied for but not yet approved.
** Approved but pending litigation.

NOTE: Bank of Glenwood, Glenwood Springs, Colorado, acquired by Colorado CNB Bankshares on March 18, 1971, not shown. As of December 31, 1969, this bank had total deposits of $3,704,936. (No. 2 of 2 banks in city) and $1,434 (000 omitted) demand balances with other U.S. banks (32nd out of 217 banks).

SOURCE: U.S. Bureau of the Census, 1970 Census of Population; Polk's Bank Directory, March, 1970; Federal Deposit Insurance Corporation Printout.

SUBSIDIARY BANKS IN DENVER AREA OF BANK HOLDING COMPANIES
WITH A DENVER BANK WHICH OFFERS CORRESPONDENT BANKING SERVICES, DECEMBER 31, 1969

Name of Bank	Total Deposits December 31, 1969 (000)	Demand Balances With U.S. Banks December 31, 1969 (000)	Rank Among All Colorado Banks (Excluding Denver Correspondent Banks) In Terms of Demand Balances With U. S. Banks	Holding Company Affiliation	Holding Company Subsidiary in Denver Which Offers Correspondent Banking Services
University National Bank (Denver)	$ 25,224	$ 2,487	13th out of 217	First Colorado Bankshares, Inc.	Security National Bank
Northeast Colorado National Bank (Denver)	8,709	1,662	23rd out of 217	Colorado CNB Bankshares, Inc.	Colorado National Bank
Continental National Bank (Englewood)	31,035	1,299	34th out of 217	Western Bancorporation	American National Bank
United Bank of Littleton	14,242	1,058	52nd out of 217	United Banks of Colorado, Inc.	United Bank of Denver
United Bank of Aurora	11,882	918	60th out of 217	United Banks of Colorado, Inc.	United Bank of Denver
South Colorado National Bank, Denver	5,177	894	63rd out of 217	Colorado CNB, Bankshares, Inc.	Colorado National Bank
First National Bank of Deer Valley, Denver	9,600	890	64th out of 217	First National Bancorporation, Inc.	First National Bank of Denver
Lakewood Colorado National Bank	6,419	815	74th out of 217	Colorado CNB Bankshares, Inc.	Colorado National Bank
First National Bank of Englewood	32,695	658	91st out of 217	First Colorado Bankshares, Inc.	Security National Bank
United Bank of Lakewood, N.A.	6,350	567	101st out of 217	United Banks of Colorado, Inc.	United Bank of Denver

SUBSIDIARY BANKS IN DENVER AREA OF BANK HOLDING COMPANIES
WITH A DENVER BANK WHICH OFFERS CORRESPONDENT BANKING SERVICES, DECEMBER 31, 1969

Name of Bank	Total Deposits December 31, 1969 (000)	Demand Balances With U.S. Banks December 31, 1969 (000)	Rank Among All Colorado Banks (Excluding Denver Correspondent Banks) In Terms of Demand Balances With U. S. Banks	Holding Company Affiliation	Holding Company Subsidiary In Denver Which Offers Correspondent Banking Services
First National Bank of Southglenn	$ 4,773	$ 500	117th out of 217	First National Bancorporation, Inc.	First National Bank of Denver
Lakeside National Bank, Wheat Ridge	21,357	492	121st out of 217	First Colorado Bankshares, Inc.	Security National Bank
First National Bank of Northglenn	7,990	486	122nd out of 217	First National Bancorporation, Inc.	First National Bank of Denver

SOURCE: Polk's Bank Directory, March, 1970; Federal Deposit Insurance Corporation Printout.

COLORADO AFFILIATES OF SIX DENVER CORRESPONDENT BANKS
INTERBANK DEMAND DEPOSITS HELD IN SIX DENVER CORRESPONDENT
BANKS AS A PERCENTAGE OF TOTAL INTERBANK DEMAND DEPOSITS FROM
ALL COLORADO BANKS IN SIX DENVER CORRESPONDENTS, AUGUST 31, 1970

	Amount of Total Interbank Demand Deposits From All Colorado Banks	Amount of Interbank Demand Deposits From Colorado Affiliates	% of Total Interbank Demand Deposits From All Colorado Banks In Six Denver Correspondent Banks
First National Bank of Denver	$ 36,903,609	$ 1,714,220	1.7%
United Bank of Denver, N.A.	22,890,632	7,816,481	7.9
Central Bank & Trust Co. *	23,076,691	- 0 -	- 0 -
American National Bank	6,238,027	1,314,378	1.3
Colorado National Bank	9,019,071	934,812	0.9
Security National Bank	1,297,378	138,718	0.1
TOTAL: Interbank Demand Deposits in Six Denver Correspondent Banks From Other Colorado Banks	$ 99,425,408	$ 11,918,809	12.0%

* Not part of a registered bank holding company, hence no affiliated banks.

SOURCE: Interrogatories 61 and 62 for First National Bank of Denver; Deposition answers of five other banks.

COLORADO AFFILIATES OF SIX DENVER CORRESPONDENT BANKS
INTERBANK DEMAND DEPOSITS HELD IN SIX DENVER CORRESPONDENT
BANKS AS A PERCENTAGE OF TOTAL INTERBANK DEMAND DEPOSITS FROM
ALL COLORADO BANKS IN SIX DENVER CORRESPONDENTS, DECEMBER 31, 1969

	Amount of Total Interbank Demand Deposits From All Colorado Banks	Amount of Interbank Demand Deposits From Colorado Affiliates	% of Total Interbank Demand Deposits From All Colorado Banks In Six Denver Correspondent Banks
First National Bank of Denver	$ 46,724,471	$ 1,310,210	1.1%
United Bank of Denver, N.A.	26,738,908	5,098,150	4.1
Central Bank & Trust Co. *	22,021,469	- 0 -	- 0 -
American National Bank	13,492,841	2,618,060	2.1
Colorado National Bank	13,921,125	1,611,021	1.3
Security National Bank	1,181,938	294,816	0.2
TOTAL: Interbank Demand Deposits in Six Denver Correspondent Banks From Other Colorado Banks	$ 124,080,752	$ 10,932,259	8.8%

* Not part of a registered bank holding company, hence no affiliated banks.

SOURCE: Interrogatory 22 for First National Bank of Denver; Deposition answers of five other banks.

PROPOSED SUBSIDIARY BANKS
INTERBANK DEMAND DEPOSITS HELD IN SIX DENVER CORRESPONDENT BANKS AS A PERCENTAGE OF TOTAL INTERBANK DEPOSITS FROM ALL COLORADO BANKS IN SIX DENVER CORRESPONDENTS, AUGUST 31, 1970

	Amount of Interbank Demand Deposits Held By Each in Six Denver Correspondent Banks	% of Interbank Demand Deposits From All Colorado Banks in Six Denver Correspondent Banks	% of Interbank Demand Deposits From All Colorado Banks in Six Denver Correspondent Banks Minus Such Deposits From Colorado Affiliates
First National Bank of Greeley 1/	$ 1,205,201	1.2%	1.4%
Security State Bank of Sterling 1/	798,065	0.8	0.9
National State Bank of Boulder 2/	2,460,789	2.5	2.8
Colorado Springs National Bank 3/	404,022	0.4	0.5
TOTAL: 4 Banks	4,868,077	4.9	5.6
TOTAL: Interbank Demand Deposits in 6 Denver Correspondent Banks From Other Colorado Banks	99,425,408	100.0	-
TOTAL: Interbank Demand Deposits in 6 Denver Correspondent Banks Minus Such Deposits From Colorado Affiliates	$ 87,506,599	-	100.0%

1/ Regulatory approval to be acquired by First National Bancorporation obtained; pending litigation.
2/ Applied for by First National Bancorporation but pending approval.
3/ Regulatory approval to be acquired by United Banks of Colorado, Inc., obtained; pending litigation.

SOURCE: Interrogatory 25 for First National Bank of Greeley; Deposition answers of 3 other banks; Interrogatory 22 for First National Bank of Denver; Deposition answers of five other Denver correspondent banks.

PROPOSED SUBSIDIARY BANKS
INTERBANK DEMAND DEPOSITS HELD IN SIX DENVER CORRESPONDENT BANKS AS A PERCENTAGE OF TOTAL INTERBANK DEPOSITS FROM ALL COLORADO BANKS IN SIX DENVER CORRESPONDENTS, DECEMBER 31, 1969

	Amount of Interbank Demand Deposits Held By Each in Six Denver Correspondent Banks	% of Interbank Demand Deposits From All Colorado Banks in Six Denver Correspondent Banks	% of Interbank Demand Deposits From All Colorado Banks in Six Denver Correspondent Banks Minus Such Deposits From Colorado Affiliates
First National Bank of Greeley 1/	$ 1,335,023	1.1%	1.2%
Security State Bank of Sterling 1/	990,631	0.8	0.9
National State Bank of Boulder 2/	1,450,041	1.2	1.3
Colorado Springs National Bank 3/	1,989,361	1.6	1.8
TOTAL: 4 Banks	5,765,056	4.6	5.1
TOTAL: Interbank Demand Deposits in 6 Denver Correspondent Banks From Other Colorado Banks	124,080,752	100.0	-
TOTAL: Interbank Demand Deposits in 6 Denver Correspondent Banks Minus Such Deposits From Colorado Affiliates	$113,148,493	-	100.0%

1/ Regulatory approval to be acquired by First National Bancorporation obtained; pending litigation.
2/ Applied for by First National Bancorporation but pending approval.
3/ Regulatory approval to be acquired by United Banks of Colorado, Inc., obtained; pending litigation.

SOURCE: Interrogatory 25 for First National Bank of Greeley; Deposition answers of 3 other banks; Interrogatory 22 for First National Bank of Denver; Deposition answers of five other Denver correspondent banks.

PRO FORMA

ACTUAL AND PROPOSED COLORADO AFFILIATES OF SIX DENVER CORRESPONDENT BANKS
INTERBANK DEMAND DEPOSITS HELD IN SIX DENVER CORRESPONDENT BANKS AS A
PERCENTAGE OF TOTAL INTERBANK DEMAND DEPOSITS FROM ALL COLORADO BANKS
IN 6 DENVER CORRESPONDENT BANKS, AUGUST 31, 1970

	Amount of Interbank Demand Deposits From all Colorado Banks	Pro Forma Amount of Interbank Demand Deposits From Colorado Affiliates Actual and Proposed	Pro Forma % of Total Interbank Demand Deposits From All Colorado Banks In 6 Denver Correspondent Banks
First National Bank of Denver	$ 36,903,609	$ 6,178,275	6.2
United Bank of Denver, N.A.	22,890,632	8,220,503	8.3
Central Bank & Trust Co. *	23,076,691	-0-	-0-
American National Bank	6,238,027	1,314,578	1.3
Colorado National Bank	9,019,071	934,812	0.9
Security National Bank	1,297,378	138,718	0.1
Total: Interbank Demand Deposits From All Colorado Banks in 6 Denver Correspondent Banks	$ 99,425,408	$ 16,786,886	16.9%

* Not part of a registered bank holding company, hence no affiliated banks.

Source: Interrogatories 61 and 62 for First National Bank of Denver; Interrogatory 25 for First National Bank of Greeley; deposition answers of all other banks.

Note: The proposed Colorado affiliates of First National Bank of Denver are: First National Bank of Greeley, Security State Bank of Sterling, and National State Bank of Boulder.
The proposed Colorado affiliate of United Bank or Denver, N.A. is the Colorado Springs National Bank.

PRO FORMA

ACTUAL AND PROPOSED COLORADO AFFILIATES OF SIX DENVER CORRESPONDENT BANKS
INTERBANK DEMAND DEPOSITS HELD IN SIX DENVER CORRESPONDENT BANKS AS A
PERCENTAGE OF TOTAL INTERBANK DEMAND DEPOSITS FROM ALL COLORADO BANKS
IN 6 DENVER CORRESPONDENT BANKS, DECEMBER 31, 1969

	Amount of Interbank Demand Deposits From all Colorado Banks	Pro Forma Amount of Interbank Demand Deposits From Colorado Affiliates Actual and Proposed	Pro Forma % of Total Interbank Demand Deposits From All Colorado Banks In 6 Denver Correspondent Banks
First National Bank of Denver	$ 46,724,471	$ 5,085,907	4.2
United Bank of Denver, N.A.	26,738,903	7,087,511	5.7
Central Bank & Trust Co. *	22,021,469	-0-	-0-
American National Bank	13,492,841	2,618,060	2.1
Colorado National Bank	13,921,125	1,611,021	1.3
Security National Bank	1,181,938	294,816	0.2
Total: Interbank Demand Deposits From All Colorado Banks in 6 Denver Correspondent Banks	$ 124,080,752	$ 16,697,315	13.5%

* Not part of a registered bank holding company, hence no affiliated banks.

Source: Interrogatory 22 for First National Bank of Denver; Interrogatory 25 for First National Bank of Greeley; deposition answers of all other banks.

Note: The proposed Colorado affiliates of First National Bank of Denver are: First National Bank of Greeley, Security State Bank of Sterling, and National State Bank of Boulder.
The proposed Colorado affiliate of United Bank of Denver, N.A. is the Colorado Springs National Bank.

PLAINTIFF'S EXHIBIT 232

Interrogatory 46

Describe the hiring and training procedures and practices followed by (A) Bancorporation and its subsidiary banks and (B) FNB Greeley during the period January 1, 1966 to date with respect to management personnel and state the name and title of each person assigned to carry out such procedures and practices during such period of time.

(B) *The First National Bank of Greeley:*

The First National Bank of Greeley in hiring new management personnel will select potential candidates through:

1. Use of publications such as *Bank News.*
2. Use of daily newspapers such as the *Wall Street Journal.*
3. Inquiries to Correspondent Banks or other banks that may be of assistance.
4. Business referrals.
5. Occasional walk-in applicants.

Applications of potential candidates are reviewed and the number is narrowed to those most likely to fulfill the job requirements. These people are then asked to come to Greeley for a personal interview by the President, the Executive Vice President and the Department Head concerned. If the job is to be filled for a Department Head's position, the potential applicants are interviewed by the President, Executive Vice President and any Board member who may be able to lend specific help in the selection.

In addition to interviews, background investigation on management applicants are undertaken through credit bureaus, correspondent banks or other banking contacts.

The immediate supervisor or department head is given the responsibility of training the new bank management personnel or if the position is that of a Department Head, training is conducted under the auspices of the President and the Executive Vice President with the assistance of other department heads.

PLAINTIFF'S EXHIBIT 233

Interrogatory 47

(A) State whether, during the period January 1, 1966 to date, FNB Greeley hired, consulted with or contacted any management consultant firm or other outside organization for the purpose of recruiting, developing and training management personnel for FNB Greeley, and if so, whether any report, recommendations, or other documents resulted therefrom.

* * * * *

(A) In March of 1969 the Howard J. Blender Company, specializing in bank management services from Northbrook, Illinois was hired for the purpose of making a thorough review of methods and procedures in the check processing and teller areas of the bank.

As a result of their review with the supervisors in these areas, certain efficiencies were obtained in check processing, proof and transit and teller functions within the bank. Most of the benefit was through better utilization of non-management personnel.

To properly implement the program those management personnel immediately responsible for the supervision within these areas did receive a good deal of guidance and training from the representatives of the Blender Company.

As a result of this program, weekly reports are now prepared and submitted to senior management for the purpose of evaluating the performance within the areas studied.

Response to the above interrogatory was given by Mr. Rex C. Eaton, Jr., executive vice president, The First National Bank of Greeley.

Plaintiff's Exhibit 234

Interrogatory 48

(A) State the name of each person hired by FNB Greeley since January 1, 1966 for a management or management-trainee position and state the positions held by each such person during such period of time.

(B) State the name of each person to whom FNB Greeley offered a position in management or as a management trainee, and who refused such offer, since January 1, 1966, and state the position so offered.

* * * * *

(A)

Name	Position	Positions Held
David A. Kliewre	Trainee	Teller Supervision 10-1-69; Assistant Cashier 1-8-70
Virgil J. Mathews, Jr.	Management	Employed as Assistant Vice President (Loan Officer) 11-1-66; Vice President (Loan Officer) 1-8-70
Norman B. Wood	Trainee	Supervisor, Bookkeeping Dept. 8-1-67; Assistant Cashier 1-25-69
John L. Long, Jr.	Management	Agricultural Fieldman 1-23-69; Assistant Cashier & Agricultural Fieldman 1-23-69
Russell K. Haney	Management	Assistant Trust Officer 1-23-69
James B. Groustal	Management	Employed as Vice President (Loan Officer) 10-21-68
Ogden M. Williams	Management	Employed as Vice President, Marketing Department 4-15-70

(B)

Name	Position	Positions Offered
Gilbert Malgrem	Management Trainee	Officer in charge of Teller operations
James Howard Lyons	Management Trainee	No particular position offered

Response to the above interrogatory was given by Mr. Alejandor M. Gillespie, vice president and controller of The First National Bank of Greeley.

Plaintiff's Exhibit 235

Number and Percent of Colorado Banks Which Maintain Correspondent Accounts in Banks in Each of 6 States

State	No. of Colorado Banks with Correspondent Accounts	% of Total No. of Colorado Banks
Colorado	277 *	100.0
Kansas	9	4.0
Nebraska	36	15.9
New Mexico	8	3.5
Wyoming	6	2.6
Utah	11	4.8

* Of these 227 Colorado banks, 223 have a Denver correspondent.

Source: Defendants' Exhibit 16.

PLAINTIFF'S EXHIBIT 241

Interrogatory 33

With regard to discussions since January 1, 1955 by officers, directors or representatives of Bancorporation with representatives of any bank in Colorado other than FNB Greeley, concerning the possible acquisition of such bank by Bancorporation, state:

(A) The names and addresses of all participants in all such discussions, the dates and places of such discussions, and the names and addresses of the banks which were represented.

(B) The name(s) of the person or persons who initiated each such discussion and the reason for the initiation of each such discussion.

(C) The substance of each such discussion and the result of each such discussion.

* * * * *

(A), (B) and (C)

Bancorporation filed an application to acquire controlling interest in The First National Bank of Pueblo, Colorado which was denied by the Federal Reserve Board of Governors on September 1, 1970; and has pending before the Board applications to acquire controlling interests in Exchange National Bank of Colorado Springs, The Security State Bank of Sterling and the Montbello State Bank, Denver. For the purpose of this interrogatory, details of discussions regarding negotiations leading to these applications will not be discussed. Copies of each of the four applications have been submitted in response to plaintiff's request for production of documents in Item 8.

Mr. Bruce D. Alexander, now president of Bancorporation, had serious discussions with principals of the following four banks aimed towards possible acquisition by Bancorporation of controlling interests in the banks:

1. The First National Bank of Windsor, Colorado
2. National State Bank of Boulder, Colorado
3. Colorado Springs National Bank, Colorado
4. Valley State Bank of Lamar, Colorado
5. Routt County National Bank of Steamboat Springs, Colorado

1. *The First National Bank of Windsor.*

During the months of December, 1968 and January, 1969 Bruce D. Alexander initiated discussions with Harry Ashley, president of The First National Bank of Windsor. All discussions were held at the home of Mr. Ashley in Windsor or in his offices in the bank at Windsor. Mr. Alexander's initial visit with Mr. Ashley was preceded by a direct inquiry to Mr. Ashley from Royce B. Clark, a vice president of The First National Bank of Denver in the Correspondent Bank Department, as to whether Mr. Ashley would be interested in holding discussions regarding acquisition of his bank by Bancorporation. Mr. Alexander was accompanied in each instance by a member of Bancorporation's counsel, Edward B. Close, Jr., of Hughes & Dorsey, and in one instance a meeting was held between Messrs. Alexander and Close, Richard S. Fitzgerald, a vice president of Bancorporation, and board members of The First National Bank of Windsor.

Discussions between Bancorporation and officers and directors of The First National Bank of Windsor were finally terminated in January of 1969 when Mr. Alexander called Mr. Ashley advising him that Bancorporation no longer had interest in acquiring controlling interest in his bank.

2. *National State Bank of Boulder.*

In February, 1969, at the request of Mr. Charles Sayre, then president of National State Bank of Boulder, Bruce D. Alexander, president of Bancorporation; Royce B. Clark, a vice president of The First National Bank of Denver in the Correspondent Bank Department; Richard S. Fitzgerald, a vice president of Bancorporation; and Edward B. Close, Jr., a partner of Hughes & Dorsey, counsel to Bancorporation, met in Boulder with Mr. Sayre and Clyde Reedy, then executive vice president, to discuss the possible acquisition of National State Bank by Bancorporation. Mr. Sayre had requested a bid by the Bancorporation in order to try and forstall a take-over attempt by the Parsons group. The mechanics of acquisition were discussed in detail. Mr. Sayre at the end of the meeting indicated that he and his Board of Directors would take the matter under advisement including the tentative offer for 80% or more of the outstanding shares which was presented

to him by Mr. Alexander. Several days after the meeting, Mr. Sayre called Mr. Alexander advising him that his board did not wish to pursue the subject of acquisition by Bancorporation of National State Bank any further and that the bank in all probability would be sold to the Parsons interests. The Parsons group assumed control within several weeks.

In early September, 1970, Mr. Vern D. Kornelsen, president of Colorado Investment Securities, Inc., called on Bruce D. Alexander, president of Bancorporation, to discuss whether Bancorporation had any interest in acquiring the National State Bank of Boulder. Mr. Kornelsen indicated that he was acting in an unofficial position without authority but wished to be in a position to advise Mr. Don Culver, chairman of the board of National State Bank. (Mr. Kornelsen acted in the capacity of advisor to Mr. Culver and the "Parsons group of Michigan" when control of the bank was acquired by them some eighteen months earlier.) Mr. Alexander advised Mr. Kornelsen that Bancorporation did have an interest. Approximately one week later Mr. Royce B. Clark, Don Culver and Bruce Alexander again discussed in a preliminary way the acquisition by Bancorporation of control of the bank. A third meeting was held September 21, 1970 between the same individuals but including Mr. Vern Kornelsen, Richard S. Fitzgerald and Phillip J. Hogue, both officers of Bancorporation. Mr. Bruce Alexander indicated that Bancorporation already had a substantial loan outstanding to National State which it wished to protect, explained the time frame which might be required, discussed in general the possible position of the Board of Governors of the Federal Reserve System relative to an acquisition of National State Bank by Bancorporation, and explained the role of the Department of Justice in bank acquisitions. Mr. Alexander asked for additional information regarding the Bank, i.e., its earnings, its management and the valuation of certain assets. This meeting was adjourned until October 7, 1970, at which meeting Mr. Alexander informed Mr. Culver as to a price, which, if acceptable to Mr. Culver, he would recommend to the Board of Directors of Bancorporation.

3. *Colorado Springs National Bank.*

Senior officials of the Bancorporation were indirectly given to understand that Colorado Springs National, a

longtime correspondent, was to be offered for sale and that bids would be accepted only from the Bancorporation and Denver U.S. National Bank. In response to this advice, in January and early February, 1969 Eugene H. Adams, president of The First National Bank of Denver; Bruce D. Alexander, then executive vice president of Bancorporation, made three visits to Colorado Springs to discuss the possible acquisition by Bancorporation of controlling interest in Colorado Springs National Bank. The first meeting was a luncheon meeting held in a private club and was attended by Armin Barney, chairman of the board of Colorado Springs National Bank; John Armstrong, president; Garnet Monck, executive vice president and a director; Willis Armstrong, vice president; Robert Hibbard, a director; L. M. Bildstein, a director; and several other directors. Bancorporation expressed its interest in acquiring controlling interest in Colorado Springs National Bank and a general discussion was held regarding the philosophy of holding company operation and the mechanics of acquisition. A second meeting was held several weeks later in the Board Room of Colorado Springs National Bank at which time Bancorporation expressed again its interest in acquiring controlling interest in the bank. In addition to the same representatives from Bancorporation, a majority of the Board of Directors of the bank were present. The purpose of the meeting was to present Bancorporation's case to as many members of the Board of Directors as was possible. Subsequent to this meeting Bancorporation was asked to submit a written offer in the form of a price per share as related to an exchange ratio, i.e. so many shares of Bancorporation stock for each share of Colorado Springs National Bank stock. Some ten days later Eugene H. Adams, Bruce D. Alexander, Richard S. Fitzgerald and Edward B. Close, Jr., partner of Hughes & Dorsey, met with Armin Barney, John Armstrong, Willis Armstrong and counsel for the bank in counsel's office in Colorado Springs. Bancorporation presented to this group of individuals its written offer, which offer was discussed in some detail.

Several days following this meeting in Colorado Springs, John Armstrong called Mr. Alexander in Denver advising him that the bid of Bancorporation had been rejected and that the bid of Denver U.S. Bancorporation had been accepted.

4. Valley State Bank of Lamar.

Bancorporation, through Mr. J. Rodney Uhrich, a vice president of The First National Bank of Denver in the Correspondent Bank Department, had indicated to Mr. Elmer Facer, president of the Valley State Bank of Lamar, during the latter half of 1969 that Bancorporation might be interested in acquiring controlling interest in Valley State Bank. As a result a discussion was held in Bancorporation's office in Denver in June of 1970 between Bruce D. Alexander, president of Bancorporation, and Mr. Facer relative to such an acquisition.

Mr. Phillip J. Hogue, vice president of Bancorporation, visited Valley State Bank of Lamar on August 10 and 11, 1970. On that date Mr. Hogue visited with Mr. Facer and discussed in detail a possible acquisition of his bank by Bancorporation.

A third meeting was held in late August in Bancorporation's office in Denver, and was attended by Bruce D. Alexander, Phillip J. Hogue and Richard S. Fitzgerald for Bancorporation; and by Messrs. Phil Gilbert, Elmer Facer and Terry Turner for Valley State Bank, the latter representing 100% of the outstanding shares of Valley State Bank. Each of the three meetings consisted of serious discussions regarding the acquisition by Bancorporation of the outstanding shares of Valley State Bank of Lamar. As of this date, no agreement had been reached by the Bancorporation and the three principals of the bank.

5. Routt County National Bank of Steamboat Springs.

During the first part of August, 1970 Mr. Del Scott, president of Routt County National Bank of Steamboat Springs, visited with Mr. Bruce D. Alexander, president of Bancorporation, in his office in Denver, Colorado. Mr. Scott indicated that he had been approached by a representative of another Colorado registered bank holding company who indicated that company's possible interest in acquiring control of his bank. Mr. Scott wished to know whether Bancorporation also had such an interest. Mr. Alexander indicated that Bancorporation might have such an interest and would be willing to discuss the matter further. On August 18, 1970 Mr. Alexander called Mr. Scott and made an appointment to visit with him in Steamboat Springs on the 9th and 10th of September, 1970.

Mr. Alexander and Richard S. Fitzgerald, a vice president of Bancorporation, did meet with Mr. Scott in his office in Steamboat Springs as scheduled. An in depth discussion was held with Mr. Scott, the only representative of his bank present, regarding the acquisition of Routt County National Bank by Bancorporation. Holding company philosophy was discussed in detail as were methods of acquisition and operation of the bank after acquisition. Mr. Scott indicated that he would like to have Bancorporation make an offer for control of his bank upon receipt of which he would discuss the matter with his board and major shareholders to determine, if in fact, they would like to accept such an offer or whether they would prefer to remain independent. Mr. Scott felt there were many benefits which could accrue to his community through his bank's membership in a registered bank holding company. Bancorporation is in the process of collecting statistical facts in connection with the preparation of making an offer. At this date no additional meetings are scheduled.

Response to this Interrogatory prepared by:

Bruce D. Alexander, President
The First National Bancorporation, Inc.

In the Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-703

UNITED STATES OF AMERICA, APPELLANT,

v.

FIRST NATIONAL BANCORPORATION, INC., AND THE FIRST NATIONAL BANK OF GREELEY

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLORADO

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DX1

COMMERCIAL BANKS IN COLORADO
YEAR END 1970

Color Code

First National Bancorporation	(Blue)
United Banks of Colorado Inc.	(Black)
Colorado CNB Bankshares Inc.	(Red)
Affiliated Bankshares of Colorado Inc.	(Green)
Western Bancorporation	(Brown)
First Colorado Bancorporation Inc.	(China Red)
Central Colorado Bancorporation	(Pink)
Central Bank & Trust Co. Denver	(Light Green)
First National Bank, Greeley	(Silver)
All other banks over $25 million	(Gold)
All other banks under $25 million	(Yellow)

Commercial Banks in Colorado Year End 1970
(Alphabetical Order)

		Bank	(000) 1970 Deposits
(Pink)	1	Academy Boulevard Bank, Colorado Springs	7,818
	2	Air Academy National Bank, Colorado Springs	8,548
	3	Alameda National Bank, Denver (D)	13,376
	4	Alamosa National Bank, Alamosa	8,209
	5	American Heritage Bank & Trust, Colorado Springs	14,254
	6	American National Bank, Denver (D)	130,872
	7	American State Bank, Granada	2,697
(Green)	8	Arapahoe National Bank, Boulder	6,958
	9	Arvada State Bank, Arvada (D)	10,102
	10	Aurora National Bank, Aurora (D)	16,885
	11	Bank of Aspen, Aspen	12,821
	12	Bank of Burlington, Burlington	6,269
	13	Bank of Colorado, Colorado Springs	2,082
	14	Bank of Denver, Denver (D)	25,037
	15	Bank of Douglas County, Castle Rock	6,601
	16	Bank of Durango, Durango	6,509
	17	Bank of Fairplay, Fairplay	1,883
	18	Bank of Fountain Valley, Security	4,548
(Red)	19	Bank of Glenwood, Glenwood Springs	6,218
	20	Bank of Ignacio, Ignacio	3,314
	21	Bank of Kremmling, Kremmling	4,166
(ABC) (Black)	22	Bank of Manitou, Manitou Springs	3,663
	23	Bank of Rangely, Rangely	1,555
	24	Bank of Telluride, Telluride	1,315
	25	Bank of Vail, Vail	4,106
	26	J. N. Beaty & Co., Manzanola	738
	27	Berthoud National Bank, Berthoud	4,336
	28	Boulder National Bank, Boulder	12,172
	29	Boulevard National Bank, Denver (D)	12,041
	30	Broomfield Bank, Broomfield	6,576
	31	Buena Vista Bank & Trust, Buena Vista	2,624
	32	Burns National Bank, Durango	11,226
	33	Byers State Bank, Byers	2,277
(Green)	34	Cache National Bank, Greeley	7,738
	35	Center State Bank, Denver (D)	7,228
(Green)	36	Central Bank & Trust, Denver (D)	236,938
(Pink)	37	Central Colorado Bank, Colorado Springs	30,545
(Gold)	38	Cherry Creek National, Denver (D)	36,579
	39	Citadel Bank, Colorado Springs	—
	40	Citizens Bank, Pagosa Springs	2,472
	41	Citizens National Bank of Akron, Akron	8,192
	42	Citizens State Bank, Cortez	7,325
	43	Citizens State Bank, Keenesburg	3,456

		Bank	(000) 1970 Deposits
	44	Citizens State Bank, Ouray	3,701
	45	Colfax National Bank, Denver (D)	7,291
	46	Colorado Bank & Trust Co., Delta	12,127
	47	Colorado Bank & Trust Co., La Junta	11,800
	48	Colorado Commercial Bank, Colorado Springs	16,267
(Red)	49	Colorado National Bank, Denver (D)	282,436
(Gold)	50	Colorado Springs National Bank, Colorado Springs	42,415
(Gold)	51	Colorado State Bank, Denver (D)	41,515
	52	Colorado State Bank, Walsh	3,552
	53	Columbine State Bank, Denver (D)	3,154
	54	Commercial Bank, Leadville	7,438
	55	Commercial Savings Bank, Sterling	13,038
(Gold)	56	Continental National Bank, Englewood (D)	36,271
	57	Dolores State Bank, Dolores	4,956
	58	Dove Creek State Bank, Dove Creek	2,232
	59	Eagle Valley Bank, Minturn	——
	60	East Colorado Springs National Bank, Colorado Springs	8,810
	61	Eastern Colorado Bank, Cheyenne Wells	4,965
	62	Eaton Bank, Eaton	5,206
	63	Empire State Bank, Rocky Ford	2,542
	64	Erie Bank, Erie	1,203
	65	Estes Park Bank, Estes Park	4,005
(Gold)	66	Exchange National Bank, Colorado Springs	61,883
(Green)	67	Farmers National Bank of Ault, Ault	6,221
	68	Farmers State Bank of Brush, Brush	8,029
	69	Farmers State Bank of Calhan, Calhan	5,302
	70	Farmers State Bank of Fort Morgan, Fort Morgan	19,473
	71	Farmers State Bank of Yuma, Yuma	7,231
	72	Fidelity Bank & Trust Co., Monte Vista	7,183
	73	First Bank & Trust of Brighton, Brighton	14,861
	74	First Bank & Trust of Holly, Holly	3,415
	75	First National Bank of Alamosa, Alamosa	6,469
	76	First National Bank of Arvada, Arvada (D)	11,540
	77	First National Bank of Aspen, Aspen	3,175
(Blue)	78	First National Bank of Bear Valley, Denver (D)	12,480
(Green)	79	First National Bank of Boulder, Boulder	68,309
	80	First National Bank of Brush, Brush	7,158
	81	First National Bank of Burlington, Burlington	4,911
	82	First National Bank of Canon City, Canon City	15,836
	83	First National Bank of Cedaredge, Cedaredge	2,462
	84	First National Bank of Center, Center	6,266
(Green)	85	First National Bank of Colorado Springs, Colorado Springs	104,210
	86	First National Bank of Cortez, Cortez	11,169
	87	First National Bank of Cripple Creek, Cripple Creek	844
(Blue)	88	First National Bank of Denver, Denver (D)	560,381

		Bank	(000) 1970 Deposits
	89	First National Bank of Durango, Durango	12,656
	90	First National Bank of Eads, Eads	4,697
	91	First National Bank of Eagle, Eagle	4,895
(FCBS)	92	First National Bank of Englewood, Englewood (D)	64,653
(Pink)	93	First National Bank of Estes Park, Estes Park	3,639
	94	First National Bank of Evergreen, Evergreen	8,549
	95	First National Bank of Flagler, Flagler	4,830
	96	First National Bank of Fleming, Fleming	1,882
	97	First National Bank of Florence, Florence	4,386
	98	First National Bank of Fort Collins, Fort Collins	54,404
	99	First National Bank of Fort Morgan, Fort Morgan	9,957
	100	First National Bank of Fowler, Fowler	4,086
(Gold)	101	First National Bank of Glenwood Springs, Glenwood Springs	26,842
	102	First National Bank of Golden, Golden	25,119
(Gold)	103	First National Bank of Grand Junction, Grand Junction	33,420
(Silver)	104	First National Bank of Greeley, Greeley	40,862
	105	First National Bank of Gunnison, Gunnison	6,208
	106	First National Bank of Holyoke, Holyoke	6,354
	107	First National Bank of Hugo, Hugo	5,799
	108	First National Bank of Johnstown, Johnstown	3,984
	109	First National Bank of Julesburg, Julesburg	6,377
(Green)	110	First National Bank of Lafayette, Lafayette	3,904
	111	First National Bank of La Jara, La Jara	4,832
	112	First National Bank of Lamar, Lamar	10,282
	113	First National Bank of Las Animas, Las Animas	5,193
	114	First National Bank of Limon, Limon	5,256
	115	First National Bank of Longmont, Longmont	23,699
(Green)	116	First National Bank of Louisville, Louisville	3,508
(Green)	117	First National Bank of Loveland, Loveland	25,433
	118	First National Bank of Meeker, Meeker	6,456
	119	First National Bank of Montrose, Montrose	15,118
(Blue)	120	First National Bank of Northglenn (D)	9,450
	121	First National Bank of Ordway	1,772
	122	First National Bank of Otis	3,695
	123	First National Bank of Paonia, Paonia	4,433
(Gold)	124	First National Bank of Pueblo, Pueblo	55,670
	125	First National Bank of Rifle	6,747
	126	First National Bank of Salida, Salida	8,297
(Blue)	127	First National Bank of Southglenn, Littleton (D)	7,322
	128	First National Bank of Springfield, Springfield	7,918
	129	First National Bank of Sterling, Sterling	7,436
	130	First National Bank of Strasburg, Strasburg	8,738
	131	First National Bank of Stratton, Stratton	5,029
	132	First National Bank of Trinidad, Trinidad	11,397
	133	First National Bank of Walsenburg, Walsenburg	6,731
	134	First National Bank of Westminster, Westminster (D)	16,869
	135	First National Bank of Windsor, Windsor	5,709
	136	First National Bank of Wray, Wray	10,759

		Bank	(000) 1970 Deposits
	137	First State Bank of Fountain, Fountain	2,099
	138	First State Bank of Hotchkiss, Hotchkiss	4,190
	139	First State Bank of Idaho Springs, Idaho Springs	3,845
	140	First Westland National Bank, Lakewood (D)	18,706
(Green)	141	Fort Carson National Bank, Fort Carson	4,892
	142	Fort Lupton State Bank, Fort Lupton	7,978
	143	Fowler State Bank	3,277
	144	Fremont National Bank of Canon City, Canon City	10,629
	145	Fruita State Bank, Fruita	4,380
	146	Golden State Bank, Golden	8,920
(Green)	147	Greeley National Bank, Greeley	43,735
(Gold)	148	Guaranty Bank & Trust Denver (D)	39,124
	149	Guaranty Bank of Stapleton, Denver (D)	3,296
	150	Gunnison Bank & Trust, Gunnison	5,065
	151	Haxtun Commercial Bank, Haxtun	3,137
	152	Hereford State Bank, Hereford	1,296
	153	Holyoke Bank & Trust Co., Holyoke	1,199
	154	Home State Bank, Loveland	9,633
(Gold)	155	Jefferson County Bank, Lakewood (D)	57,316
	156	Kiowa State Bank, Kiowa	3,280
	157	Kirk State Bank, Kirk	1,784
	158	Kit Carson State Bank, Kit Carson	2,418
	159	La Junta State Bank, La Junta	4,579
(FCBS) (Pink)	160	Lakeside National Bank, Wheatridge (D)	25,092
	161	Lakewood Colorado National Bank, Lakewood (D)	10,012
	162	Littleton National Bank, Littleton (D)	15,572
	163	Longmont National Bank, Longmont	16,420
	164	Mancos State Bank, Mancos	1,542
	165	McClave State Bank, McClave	1,114
	166	Mesa National Bank, Grand Junction	8,279
	167	Metro National Bank, Denver (D)	10,344
	168	Metro State Bank, Commerce City (D)	6,685
	169	Mid-States Bank, Denver (D)	804
	170	Middle Park Bank, Granby	4,800
	171	Midtown National, Pueblo	6,306
	172	Minnequa Bank, Pueblo	23,743
	173	Moffat County State Bank, Craig	13,645
	174	Montbello State Bank, Denver (D)	2,360
	175	Montrose National Bank, Montrose	7,192
(Gold)	176	Mountain States Bank, Denver (D)	32,267
	177	National Bank of Delta, Delta	4,289
(Gold)	178	National City Bank, Denver (D)	29,613
(Gold)	179	National State Bank of Boulder	32,342
(Gold)	180	North Denver Bank, Denver (D)	27,077
	181	North Park State Bank, Walden	2,420

		Bank	(000) 1970 Deposits
	182	North Valley State Bank, Thornton (D)	8,359
(Red)	183	Northeast Colorado National Bank, Denver (D)	10,829
	184	Northern National Bank, Colorado Springs	6,815
	185	Palisades National Bank, Palisade	3,251
	186	Park National Bank, Pueblo	4,168
	187	Park State Bank, Woodland Park	2,234
	188	Peoples Bank & Trust of Aurora, Aurora (D)	23,916
	189	Pikes Peak National, Colorado Springs	8,159
(Gold)	190	Pueblo Bank & Trust, Pueblo	35,809
	191	Republic National Bank, Englewood (D)	7,898
	192	Republic National Bank, Pueblo	11,709
	193	Rio Grande County Bank, Del Norte	2,362
(Pink)	194	Rocky Ford National, Rocky Ford	5,497
	195	Rocky Mountain Bank & Trust Co., Fort Collins	3,514
	196	Routt County National Bank, Steamboat Springs	13,803
	197	Saint Vrain Valley State Bank, Longmont	5,698
	198	San Miguel Basin State Bank, Norwood	4,199
	199	Security Bank of Boulder	3,640
(FCBS)	200	Security National Bank, Denver (D)	29,747
(Pink)	201	Security State Bank, Sterling	24,045
(Red)	202	South Colorado National Bank, Denver (D)	5,545
	203	South Denver National Bank, Denver (D)	9,783
	204	South Platte National Bank, La Salle	3,363
	205	Southwest State Bank, Denver (D)	15,117
	206	State Bank of Greeley, Greeley	2,120
	207	State Bank of Wiley, Wiley	3,267
	208	Summit County Bank, Frisco	2,418
	209	Trinidad National Bank, Trinidad	7,977
	210	Union National Bank, Denver (D)	28,955
	211	United Bank of Aurora, Aurora (D)	14,606
	212	United Bank of Boulder, Boulder	25,549
	213	United Bank of Denver, Denver (D)	485,442
	214	United Bank of Fort Collins, Fort Collins	40,189
	215	United Bank of Greeley, Greeley	27,370
	216	United Bank of Littletown, Littletown (D)	16,826
	217	United Bank of Pueblo, Pueblo	19,541
	218	U. S. Bank of Grand Junction, Grand Junction	28,460
	219	University National Bank, Denver (D)	27,434
	220	University National Bank Fort Collins	6,847
	221	Valley State Bank, Lamar	5,236
(United)	222	Villa National, Denver (D)	7,568
	223	West Greeley National Bank, Greeley	3,557
	224	West National Bank, Denver (D)	7,071
	225	Western National Bank, Colorado Springs	7,018

226	Westlake First National Bank, Loveland	3,718
227	Wheatridge National Bank, Wheatridge (D)	2,401
228	Yampa Valley State Bank, Hayden	1,695

Source: *American Bank Directory*, Fall, 1970; *Polk's*, March, 1971; *Moody's Bank & Finance Manual*; Colorado Bankers Association

TABLE

Commercial Banks in Colorado by Order of Cities
1950-1970 Deposits (000)

	Akron: Citizens Natl Bk.	Alamosa: Alamosa Natl Bk.	Alamosa: First Natl Bk.	Arvada: Arvada State Bank	Arvada: First Natl Bk.	Aspen: Bank of Aspen	Aspen: First N
1950	3,777	4,465	3,295		3,768	576	
1951	4,373	5,138	3,769		4,066	716	
1952	4,508	4,983	3,820		4,518	863	
1953	4,454	4,489	3,658		4,885	943	
1954	4,937	4,688	4,360		5,216	1,083	
1955	4,909	4,655	4,165		5,285	1,162	
1956	4,133	5,081	3,784		5,676	1,425	
1957	4,369	5,502	3,784		5,752	1,506	
1958	4,973	5,619	3,806		6,383	1,651	
1959	4,851	5,641	3,613		6,598	1,791	
1960	4,864	5,424	3,951		7,067		
1961	4,883	5,520	3,683		7,889	2,446	
1962	5,950	5,956	4,063	2,356	7,790	3,299	
1963	6,092	6,462	3,752	3,035	7,954	4,165	
1964	5,888	7,110	3,967	4,476	8,521	5,860	
1965	6,028	7,115	4,122	4,698	8,644	6,973	
1966	6,123	6,319	4,323	4,790	8,576	6,050	
1967	6,670	6,917	4,933	5,664	8,825	8,085	
1968	7,400	7,105	5,284	6,891	9,340	10,612	
1969	7,783	7,840	6,604	8,551	10,964	13,935	
1970	8,192	8,209	6,469	10,102	11,540	12,821	3,175

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TABLE

Commercial Banks in Colorado by Order of Cities
1950-1970 Deposits (000)

tl Bk.	Alamosa: Alamosa Natl Bk.	Alamosa: First Natl Bk.	Arvada: Arvada State Bank	Arvada: First Natl Bk.	Aspen: Bank of Aspen	Aspen: First Natl Bk.	Ault: Farmers Natl Bk.
	4,465	3,295		3,768	576		2,725
	5,138	3,769		4,066	716		3,024
	4,983	3,820		4,518	863		2,751
	4,489	3,658		4,885	943		3,072
	4,688	4,360		5,216	1,083		2,996
	4,655	4,165		5,285	1,162		2,847
	5,081	3,784		5,676	1,425		2,917
	5,502	3,784		5,752	1,506		3,326
	5,619	3,806		6,383	1,651		3,589
	5,641	3,613		6,598	1,791		3,501
	5,424	3,951		7,067			2,053
	5,520	3,683		7,889	2,446		3,548
	5,956	4,063	2,356	7,790	3,299		3,871
	6,462	3,752	3,035	7,954	4,165		4,035
	7,110	3,967	4,476	8,521	5,860		3,665
	7,115	4,122	4,698	8,644	6,973		4,102
	6,319	4,323	4,790	8,576	6,050		4,193
	6,917	4,933	5,664	8,825	8,085		4,580
	7,105	5,284	6,891	9,340	10,612		5,383
	7,840	6,604	8,551	10,964	13,935		5,931
	8,209	6,469	10,102	11,540	12,821	3,175	6,221

	Aurora: Aurora Natl Bk.	Aurora: United Bank of	Aurora: Peoples Bk & Tr.	Berthoud: Berthoud Natl Bk.	Boulder: Arapahoe Natl Bk.	Boulder: Bldr Natl Bk.	Boulder: First Natl Bk.	Boulder: United Banl
1950								
1951		4,721		1,613				
1952		5,860		1,668			7,194	3,240
1953		6,484		1,797			8,524	3,787
1954		6,732		1,702			10,106	4,119
		7,332		1,799			10,401	4,176
1955		7,366					11,620	4,741
1956		7,712		1,677				
1957		6,668		1,711			12,775	5,118
1958		7,153	1,108	1,730			12,261	5,589
1959		6,871	2,599	1,738			13,260	6,934
			3,423	1,738			15,006	7,374
1960		6,935					16,449	8,070
1961		7,981	5,948	2,013	486			
1962		7,967	7,556	2,339	1,749		20,507	8,821
1963	1,808	7,947	8,759	2,975	2,575		21,158	9,649
1964	4,217	9,046	9,315	3,733	3,097		26,038	14,127
			9,518	2,700	3,172	1,875	28,941	15,353
1965	5,881	9,174					30,096	14,709
1966	6,086	9,281	10,645	3,000	3,724	3,211	35,525	17,207
1967	9,049	10,475	12,271	2,800	4,164	5,071	40,457	17,489
1968	10,955	10,815	14,098	3,096	4,624	6,870	48,285	17,975
1969	13,098	11,882	17,746	3,415	5,900	9,057	58,670	22,275
			19,030	3,733	6,268	10,931	58,609	24,230
1970	16,885	14,606	23,916	4,336	6,958	12,172	68,309	25,549

	Boulder: Natl State Bk.	Boulder: Security Bank	Brighton: First Bank & Tr.	Brighton: Brighton Natl Bk.	Broomfield: Broomfield Bank	Brush: Farmers State Bk.	Brush: First Natl Bank
1950	8,216		3,642			2,538	2,941
1951	9,013		4,327			3,251	3,069
1952	10,889		4,974			3,714	3,687
1953	10,474		4,643			3,096	3,853
1954	10,711		5,247			3,719	4,078
1955	11,683		5,516			3,704	3,932
1956	11,847		5,253			3,380	3,948
1957	12,646		4,168			3,842	3,988
1958	13,877		6,764		562	4,022	4,607
1959	14,854		7,277		1,069	3,678	4,367
1960	15,560	273	7,357		1,209	3,884	4,516
1961	16,203	285	8,195		1,901	4,354	4,653
1962	20,138	2,008	8,824		2,159	4,811	4,733
1963	19,878	2,602	9,185	2,615	2,463	5,169	5,013
1964	21,926	1,951	9,098		2,571	4,806	5,208
1965	23,825	2,160	10,043		2,871	5,211	5,250
1966	25,874	2,432	11,505		3,204	5,507	5,086
1967	26,498	3,000	13,766		3,764	6,760	5,536
1968	27,635	2,387	12,743		4,563	6,556	6,258
1969	28,667	3,472	3,087		5,728	7,290	7,005
1970	32,342	3,640	14,861		6,576	8,029	7,158

	Buena Vista: Buena Vista Bk & Tr	Burlington: Bank of	Burlington: First Natl Bk.	Byers: Byers State Bank	Calhan: Farmers State Bk.	Canon City: First Natl Bk.	Canon City: Fremont Natl Bk.
1950							
1951		3,262		435	1,958	5,695	3,278
1952		3,076		572	2,128	6,090	3,019
1953		3,343		656	2,178	6,368	3,249
1954		3,160		600	2,058	6,600	3,106
		3,106		718	2,044	6,522	3,377
1955							
1956		2,483		620	2,135	7,273	
1957		2,598		845	2,133	6,985	3,653
1958		2,568		755	2,307	7,536	3,797
1959		3,228		1,028	2,524	7,946	4,236
		3,199		805	2,943	8,136	4,354
1960							4,478
1961		3,528		946			
1962		3,309		949	2,857	7,703	4,652
1963	537	3,759		1,214	2,967	8,102	4,741
1964	888	3,945	409	989	3,246	8,289	4,946
		3,937	1,366	950	3,044	8,505	5,367
1965	1,207				3,314	9,512	5,176
1966	1,000	3,667	1,890	996			
1967	1,436	4,370	2,648	1,239	3,548	10,326	5,365
1968	1,559	4,654	2,739	1,280	3,552	9,994	5,939
1969	1,963	5,386	3,278	1,896	3,750	11,409	7,021
		5,787	3,545	2,035	4,280	13,220	8,196
1970	2,624				4,719	14,841	9,363
		6,269	4,911	2,277	5,302	15,836	10,629

	Castle Rock: Bank of Douglas Co.	Cedaredge: First Natl Bk.	Center: First Natl Bk.	Cheyenne Wells: Eastern Colo Bk.	Colorado Springs: Academy Blvd Bank	Colorado Springs: Air Academy Natl Bk	Colorado Springs: Amer Heritage Bk & Tr
1950	1,506	813	1,772	1,903			
1951	1,645	775	1,981	1,402			
1952	1,695	1,024	2,186	1,951			
1953	1 642	1,048	1,806	1,702			
1954	1,812	1,199	1,586	1,643			
1955	1,907	1,054	1,598	1,401			
1956	2,104	1,197	1,728	1,413			
1957	2,181	958	1.775	1,533			
1958	2,554	1,227	1,832	2,078			
1959	2,552	1,277	1,916	2,190			933
1960	2,792	1,108	2,212	2,627			2,125
1961	2,985	1,333	2,006	2,434			3,361
1962	3,120	1,401	1,882	2,704			5,032
1963	3,232	1,415	2,061	2,827			5,417
1964	3,455	1,312	2,290	2,579			5,515
1965	3,660	1,334	2,468	2,899			5,440
1966	3,616	1,541	3,323	2,934	1,202		6,183
1967	3,868	1,790	3,204	3,441	2,393	4,458	10,142
1968	4,211	2,116	3,063	3,680	4,154	6,127	14,229
1969	5,302	2,158	3,849	4,196	5,036	6,612	13,740
1970	6,601	2,462	6,266	4,965	7,818	8,548	14,254

	Colorado Springs: Bank of Colorado	Colorado Springs: Central Colo Bank	Colorado Springs: Colo Commercial Bk	Colorado Springs: Colo Spgs Natl Bk	Colorado Springs: E. Colo Spgs Natl Bk	Colorado Springs: Exchange Natl Bk.
1950			6,636	12,415		18,217
1951			7,188	12,747		22,296
1952			7,061	16,266		21,787
1953		1,692	7,187	16,648		19,799
1954		2,745	8,227	19,362		22,842
1955		3,386	8,837	21,971		26,757
1956		3,699	8,974	21,835		25,198
1957		3,949	8,055	21,571		25,524
1958		5,854	8,891	24,006		30,012
1959		6,393	8,314	21,587		30,319
1960		5,994	8,143	20,869		28,597
1961		7,826	8,532	22,465		30,128
1962		9,923	9,582	24,806		33,703
1963		10,040	9,165	27,326		36,905
1964		10,877	9,404	28,215	631	39,799
1965		11,809	10,359	27,823	1,894	41,503
1966		11,442	11,081	27,519	2,736	41,264
1967		15,370	12,866	33,449	3,615	50,189
1968		18,187	14,905	35,726	5,476	51,753
1969	707	22,896	14,081	36,085	6,563	50,040
1970	2,082	30,545	16,267	42,415	8,810	61,883

	Colorado Springs: First Natl Bank	Colorado Springs: Northern Natl Bk.	Colorado Springs: Pikes Peak Natl	Colorado Springs: Western Natl Bank	Colorado Springs: Citadel Bank	Commerce City: Metro State Bank
1930	32,434					603
1931	35,002					1,204
1932	36,210					1,700
1933	37,512					1,700
1934	40,330					2,710
1935	41,552					3,178
1936	43,739					3,391
1937	43,764		834			3,341
1938	50,231		1,885			4,012
1939	48,752		2,237			4,309
1940	50,528		2,344			4,321
1941	60,041		2,900			4,702
1942	63,536		3,724			5,098
1943	69,013	1,134	4,429			4,709
1944	75,370	2,741	5,094	888		5,004
1945	75,936	3,379	5,484	1,856		4,904
1946	76,339	4,026	5,347	2,462		5,189
1947	86,135	5,621	6,490	3,619		5,102
1948	92,628	5,929	7,038	4,399		5,599
1949	93,192	5,909	7,403	5,356		6,264
1970	104,210	6,815	8,159	7,018		6,685

	Cortez: Citizens State Bank	Cortez: First Natl Bk	Craig: Moffat Co State Bk	Cripple Creek: First Natl Bk	Del Norte: Rio Grande Co Bk	Delta: Colo Bk & Tr Co.
1950	3,063					
1951	3,313		3,646	1,319	1,060	4,093
1952	3,513		4,188	1,461	1,179	4,105
1953	3,863		4,467	1,275	1,126	4,454
1954	4,566		4,421	1,490	1,198	4,417
1955	4,545		4,498	1,707	1,213	5,359
1956	5,272		4,684	1,629	1,276	3,358
1957	7,313		4,946	1,727	1,323	5,815
1958	7,327	5,635	5,345	1,758	1,418	5,760
1959	6,548	5,102	5,810	1,658	1,543	6,025
1960	5,598	4,804	5,743	1,519	1,448	6,255
1961	4,515	6,230	5,679	1,459	1,419	6,358
1962	5,379	6,408	5,936	1,301	1,482	6,649
1963	6,143	7,151	6,982	1,139	1,329	7,283
1964	5,700	6,988	7,427	916	1,812	7,894
1965	6,062	7,765	7,444	1,045	1,843	7,854
1966	6,601	8,734	7,328	1,062	2,161	7,797
1967	6,460	9,223	8,071	1,112	2,034	8,508
1968	6,990	9,270	9,471	1,098	2,226	9,073
1969	7,131	10,223	10,129	990	2,358	10,174
1970	7,325	11,169	10,432	960	2,417	10,831
			13,645	844	2,362	12,127

	Delta: Natl Bank of Delta	Denver: Alameda Natl Bank	Denver: Amer Natl Bk	Denver: Bank of Denver	Denver: Blvd Natl Bank	Denver: Center State Bank
1950			43,172	2,643		
1951			45,296	2,900		
1952			48,675	3,252		
1953			49,373	3,382		
1954			51,776	5,234		
1955			52,276	6,250		
1956			51,839	6,746		
1957			52,714	7,229		
1958			60,638	10,403		
1959			58,692	16,779		
1960			59,855	16,721		
1961			66,875	17,939		2,268
1962		536	75,512	20,093		4,107
1963		3,037	83,495	18,784	1,142	5,012
1964	1,109	5,031	90,921	19,755	2,605	3,139
1965	1,637	5,931	97,749	21,106	3,957	3,601
1966	2,195	6,910	101,[illegible]9	18,139	4,816	3,943
1967	2,764	9,253	118,834	18,233	6,188	4,668
1968	3,368	12,413	123,554	19,260	8,996	6,098
1969	3,967	12,863	130,873	20,240	10,261	6,753
1970	4,289	13,376	130,872	25,037	12,041	7,228

	Denver: Central Bk & Tr	Denver: Cherry Creek Natl	Denver: Colfax Natl Bank	Denver: Colo Natl Bank	Denver: Colo State Bank	Denver: Columbine State Bk
1950	57,916			104,179	14,076	
1951	69,234			113,635	16,262	
1952	79,600			117,330	18,599	
1953	83,190	1,425		116,379	19,558	
1954	91,186	3,775		125,781	21,080	
1955	95,683	5,541		134,164	21,835	
1956	93,935	6,547		134,521	21,463	
1957	102,435	7,716		137,537	20,954	
1958	116,305	9,656		140,976	22,701	
1959	124,706	11,420		147,474	23,616	
1960	123,537	13,188		163,106	23,491	
1961	142,870	15,158		179,113	24,186	
1962	154,459	18,738	1,985	193,352	26,534	
1963	154,463	21,363	3,942	201,515	28,121	
1964	163,245	22,732	3,[illegible]6	209,714	30,411	
1965	160,616	24,258	4,003	216,503	31,093	
1966	171,536	26,472	3,752	229,196	31,015	
1967	200,225	28,229	4,931	254,646	36,348	
1968	216,616	31,925	6,369	281,220	42,443	
1969	209,624	33,031	7,689	283,687	43,388	
1970	236,938	36,579	7,291	282,436	41,515	3,154

	Denver: United Bank of	Denver: First Natl Bk Bear Valley	Denver: First Natl Bank	Denver: Guaranty Bk & Tr	Denver: Guaranty Bk of Stapleton	Denver: Metro Natl Bank
1950	196,511		234,392			
1951	199,992		251,524			
1952	214,848		260,385			
1953	216,383		256,100			
1954	241,334		267,896			
1955	247,587		264,692	4,048		
1956	251,210		271,226	13,151		
1957	250,890		274,297	17,621		
1958	275,867		294,062	20,789		
1959	258,423		299,338	25,162		
1960	275,674		318,989	27,463		
1961	429,962		347,242	31,363		
1962	320,852		376,771	35,402		
1963	349,414		374,563	33,204		
1964	349,152	1,145	404,406	36,595		257
1965	385,926	2,434	427,416	37,959		2,032
1966	389,322	3,722	441,270	37,274	1,026	5,297
1967	432,739	5,692	509,736	38,404	2,048	4,174
1968	487,805	7,912	550,439	40,209	3,090	5,529
1969	473,836	9,680	507,340	37,880	3,401	6,521
1970	485,442	12,480	560,381	39,124	3,296	10,344

	Denver: Mid-States Bank	Denver: Montbello State Bk	Denver: Mtn States Bank	Denver: Natl City Bk	Denver: No Denver Bank	Denver: NE Colo Natl Bk	Denver: Sec Natl Bk
1950							
1951			7,497	7,343			
1952			8,652	8,191	931		
1953			9,979	9,848	4,926		
1954			10,559	9,607	6,965		
			11,699	10,775	8,584		
1955							
1956			13,167	11,066	10,722		
1957			13,642	11,501	13,025		
1958			13,801	11,790	13,337		
1959			15,475	14,468	15,715		
			15,625	15,350	18,475		
1960							
1961			16,011	16,727	18,490		
1962			17,284	17,687	20,808		
1963			18,874	18,525	23,237		
1964			20,930	19,231	24,140	1,071	4,179
			20,952	19,616	23,186	2,670	7,957
1965							
1966			23,177	20,811	23,242	3,709	10,582
1967			22,964	21,582	24,208	4,794	19,085
1968			25,640	24,834	27,233	5,831	25,430
1969	314	1,723	29,029	27,887	29,941	6,999	37,418
			28,929	27,454	32,543	8,709	42,581
1970	804	2,360	32,267	29,613	27,077	10,829	29,747

	Denver: So Colo Natl Bk	Denver: So Denver Natl Bk	Denver: Southwest State Bk	Denver: Union Natl Bk	Denver: Univ Natl Bank	Denver: Villa Natl	Denver: West Natl Bank
1950				9,002			
1951				10,369			
1952				12,185			
1953				12,500			
1954				13,417			
1955				13,548			
1956				13,704	2,030		
1957				14,576	3,739		
1958				15,133	4,559		
1959				16,656	5,517		
1960				17,520	7,045		
1961			2,985	18,088	8,019		
1962			5,333	19,098	10,055		
1963		1,428	5,380	19,888	11,112	4,007	606
1964	1,211	2,412	5,523	20,529	12,665	4,676	2,191
1965	2,167	3,627	5,999	21,174	15,000	2,727	2,366
1966	3,547	5,157	6,580	21,863	18,076	1,664	2,634
1967	4,757	5,384	8,180	23,800	21,758	3,684	3,126
1968	5,443	7,090	10,891	26,469	26,061	5,042	4,508
1969	5,177	8,303	12,203	26,334	25,224	6,550	5,237
1970	5,545	9,783	15,117	28,955	27,434	7,568	7,071

	Dolores: Dolores State Bank	Dolores: J.J. Harris & Co	Dove Creek: Dove Creek State Bank	Durango: Bank of Durango	Durango: Burns Natl Bank	Durango: First Natl Bank
1950		2,662	858		4,479	6,144
1951		2,863	800		5,332	6,674
1952		3,008	915		5,325	7,125
1953		3,291	996		5,804	7,505
1954		3,790	1,396		6,592	7,670
1955		3,725	2,235		6,976	8,316
1956		3,893	2,116		8,125	8,193
1957		4,360	3,344		8,325	8,992
1958			3,026		8,341	8,458
1959	1,307		3,026		8,106	8,315
1960	1,563		2,787		8,221	8,523
1961	1,756		2,666		8,964	8,782
1962	2,058		1,737		9,272	9,228
1963	2,293		1,816		9,265	8,658
1964	2,501		1,969		8,545	8,223
1965	2,830		1,446		8,677	7,855
1966	2,942		1,400		8,533	8,198
1967	3,151		1,609		9,269	9,125
1968	3,631		1,755	2,800	10,314	10,584
1969	3,790		1,773	5,682	10,971	11,041
1970	4,956		2,232	6,509	11,226	12,656

	Eads: First Natl Bank	Eagle: First Natl Bank	Eaton: Eaton Bank	Englewood: Cont Natl Bk	Englewood: First Natl Bk	Englewood: Republic Natl Bk	Erie: Erie Bank	Estes Park: Estes Park Bank
1950	2,340	1,857	2,011		10,727		1,015	1,198
1951	2,340	2,125	2,139	2,501	10,589		1,116	1,180
1952	2,641	2,019	2,247	4,830	12,722		1,121	1,420
1953	2,240	1,932	2,480	6,515	14,216		1,169	1,434
1954	2,228	1,886	2,617	8,321	17,538		1,193	1,628
1955	2,228	1,945	2,342	10,882	19,563		1,148	1,657
1956	1,843	2,003	2,432	11,412	20,151		1,225	1,570
1957	1,903	1,873	2,635	12,494	23,712		1,301	1,646
1958	2,138	1,912	2,900	13,753	25,413		1,347	2,010
1959	2,275	1,771	2,975	13,869	27,898		1,198	1,853
1960	2,221	1,833	3,250	14,765	29,733		1,204	1,901
1961	2,496	2,090	3,434	16,114	31,686		1,316	1,951
1962	3,210	2,150	3,547	17,306	36,333		1,043	2,078
1963	3,335	2,287	3,747	17,910	36,786		1,673	2,327
1964	3,724	2,571	3,699	18,416	40,475		919	2,625
1965	2,804	2,915	3,652	19,396	40,353	1,667	861	2,465
1966	3,048	3,065	3,713	20,833	42,928	2,021	987	2,634
1967	3,328	3,144	4,288	24,060	46,105	2,773	898	2,895
1968	3,861	3,074	5,075	29,648	50,401	5,016	1,012	3,742
1969	4,273	3,709	5,291	31,055	52,695	6,161	1,089	3,492
1970	4,697	4,895	5,206	36,271	64,653	7,898	1,203	4,005

	Estes Park: First Natl Bank	Evergreen: First National Bank	Fairplay: Bank of Fairplay	Flagler: First Natl Bank	Fleming: First Natl Bank	Florence: First Natl Bank	Ft. Carson Ft. Carson Natl Bk
1950							
1951			791	2,410	1,917	2,689	
1952			742	2,308	2,209	2,919	
1953			766	2,515	2,378	2,729	
1954			772	2,523	2,295	2,633	
1955			647	2,371	2,327	2,585	
1956			715	2,034	2,105	2,470	
1957			731	2,069	2,067	2,602	
1958			734	2,261	2,194	2,487	
1959		700	675	2,442	2,393	2,615	
1960			721	2,554	2,668	2,683	
1961		1,326	671	2,729	2,633	2,606	
1962		1,761	635	2,716	2,769	2,413	
1963		2,190	663	2,972	2,912	2,857	
1964		2,648	629	2,786	2,408	2,934	
1965	913	3,183	668	3,171	2,366	3,031	
1966	1,297	3,497	800	3,095	2,394	2,971	
1967	2,181	879	879	3,321	2,351	3,158	
1968	2,186	5,103	1,182	3,418	2,054	3,391	1,754
1969	3,277	5,650	1,333	3,530	1,872	3,565	3,357
1970	3,639	6,665	2,098	3,645	1,720	4,104	3,850
		8,549	1,883	4,830	1,882	4,386	4,892

	Ft. Collins: First Natl Bank	Ft. Collins: United Bank of	Ft. Collins: Rocky Mtn Bk & Tr Co.	Ft. Collins: Univ Natl Bk	Ft. Lupton: Ft. Lupton State Bk	Ft. Morgan: Farmers State Bk	Ft. Morgan: First National Bank
1950	7,996	8,789			2,293	6,158	2,687
1951	8,736	8,943			2,515	6,562	2,233
1952	9,595	9,271			3,059	7,440	2,338
1953	9,347	9,747			3,086	7,751	2,682
1954	9,666	10,074			3,204	9,163	3,323
1955	9,634	9,867			3,103	8,432	3,323
1956	9,871	10,166			3,279	8,527	3,516
1957	11,803	11,292			3,247	8,175	3,700
1958	12,505	12,647			3,601	10,116	3,458
1959	14,428	13,654			3,981	10,132	3,803
1960	12,870	13,594			4,152	10,808	4,058
1961	13,985	14,012			4,346	10,697	4,353
1962	18,337	16,168		85	4,896	11,681	4,852
1963	22,345	17,342	671	579	5,027	11,737	5,288
1964	22,837	18,366	1,949	1,155	4,817	12,390	5,314
1965	27,782	19,876	3,252	1,778	5,081	13,728	5,644
1966	34,542	22,515	3,186	2,361	5,694	14,112	6,075
1967	45,216	26,368	3,181	3,758	6,147	15,349	6,744
1968	49,022	29,774	2,820	4,553	7,375	17,052	8,004
1969	50,239	30,521	2,578	5,298	7,765	17,957	8,403
1970	54,404	40,189	3,514	6,847	7,978	19.473	9,957

	Fountain: First State Bank	Fowler: First Natl Bank	Fowler: Fowler State Bank	Frisco: Summit County Bank	Fruita: Fruita State Bank	Glenwood Springs: Bank of Glenwood
1950		1,334	1,289		1,009	
1951		1,210	1,396		1,137	
1952		1,316	1,472		1,114	
1953		1,400	1,539		1,204	
1954		1,554	1,571		1,335	
1955		1,639	1,570		1,607	
1956		1,547	1,698		1,750	
1957		1,542	1,804		1,841	
1958		1,518	1,845		1,682	
1959		1,528	1,661		2,086	
1960		1,554	1,891		2,107	
1961		1,869	1,851		2,103	
1962		1,851	2,013		2,541	
1963		2,280	2,093		3,569	1,490
1964		2,501	2,168		2,852	2,269
1965		2,794	2,296		3,594	2,965
1966		2,906	2,241		3,534	2,943
1967		3,131	2,370		3,768	4,402
1968	958	3,577	2,775	1,046	3,892	5,587
1969	1,321	3,874	3,118	1,896	4,116	5,745
1970	2,099	4,086	3,277	2,418	4,380	6,218

	Glenwood Springs: First National Bank	Golden: First Natl Bank	Golden: Golden State Bank	Granada: Amer State Bank	Granby: Middle Park Bank	Grand Junction: First Natl Bank	Grand Junction: Mesa Natl Bank
1950	8,461	4,151					
1951	9,401	4,276		1,026	333	9,955	
1952	8,399	4,273		978	837	10,989	
1953	9,377	4,494		1,196	1,112	11,955	
1954	9,542	5,532		1,109	1,145	12,549	
1955	9,810	5,866		1,178	1,444	16,499	
1956	10,279	6,440		1,124	1,582	18,300	
1957	10,144	6,961		1,194	1,721	19,597	
1958	11,572	7,716		1,272	1,548	18,527	
1959	12,214	8,337		1,208	1,534	19,467	
1960	13,079	9,547		1,390	2,052	19,066	
1961	14,284	10,653		1,392	1,955	19,629	
1962	13,983	11,621	1,814	1,531	1,803	20,717	
1963	14,416	12,228	2,624	1,713	1,996	19,369	
1964	16,659	13,333	2,785	1,835	2,106	20,306	
1965	18,087	14,857	2,893	1,830	2,212	21,714	1,655
1966	19,166	14,245	3,676	1,794	2,704	22,419	3,174
1967	22,874	16,139	4,902	1,905	2,512	23,457	4,292
1968	23,159	18,453	6,630	2,260	2,712	27,265	5,268
1969	25,144	20,810	6,632	2,335	3,131	31,528	6,804
1970	26,842	25,119	8,920	2,509	3,438	30,640	7,394
				2,697	4,800	33,420	8,279

	Grand Junction: U.S. Bank of Grand Junction	Greeley: Cache Natl Bank	Greeley: First Natl Bank	Greeley: Greeley Natl Bank	Greeley: State Bank of	Greeley: United Bank of	Greeley: W. Greeley Natl Bank
1950	9,349		15,084	10,092		5,100	
1951	9,908		15,913	12,742		5,221	
1952	10,255		17,275	13,766		5,905	
1953	12,019		17,297	14,674		6,169	
1954	13,777		16,172	14,754		6,928	
1955	13,533		16,930	13,205		7,042	
1956	13,568		17,001	14,883		7,549	
1957	15,276		17,009	17,613		9,257	
1958	16,311		20,605	19,300		9,939	
1959	16,004		19,240	18,813		10,605	
1960	16,993		20,632	19,372		11,266	
1961	16,545		21,440	22,133		12,413	
1962	17,618	1,406	25,961	26,745		14,936	
1963	18,987	2,221	27,472	27,808		16,083	311
1964	19,339	2,431	28,711	27,992		16,085	800
1965	20,648	3,116	30,545	31,067	1,209	16,694	1,333
1966	21,857	3,981	32,332	33,169	1,507	18,260	1,915
1967	24,599	4,791	35,783	34,676	1,820	19,276	2,520
1968	26,663	5,823	36,943	40,616	2,147	23,104	2,770
1969	26,137	6,719	40,263	41,619	2,136	24,109	3,066
1970	28,460	7,738	40,862	43,733	2,120	27,370	3,557

	Gunnison: First Natl Bank	Gunnison: Gunnison Bk & Tr	Haxtun: Haxtun Comm Bank	Hayden: Yampa Valley State Bk	Hereford: Hereford State Bk	Holly: First Bk & Tr	Holyoke: First Natl Bank
1930	2,086	1,727	1,394		460	1,587	4,223
1931	2,263	1,808	1,736		545	1,566	4,596
1932	2,172	1,602	1,776		695	1,772	5,209
1933	2,255	1,521	1,842		789	1,739	4,738
1934	2,192	1,508	1,959		687	1,632	4,258
1935	2,037	1,606	1,587		620	1,560	3,930
1936	2,109	1,652	1,608		690	1,711	4,011
1937	2,236	1,668	1,639		743	1,873	3,500
1938	2,548	1,956	1,800		939	1,857	4,207
1939	2,462	2,053	1,632		915	2,057	3,380
1940	2,762	2,175	1,527		905	2,343	3,277
1941	3,066	2,499	1,792		966	2,406	3,921
1942	3,558	2,783	2,028		1,267	2,568	3,951
1943	4,161	3,457	1,600		1,030	2,521	3,989
1944	4,934	3,262	1,573		1,011	2,587	3,891
1945	5,041	3,200	1,621		1,166	2,775	4,061
1946	4,411	3,260	1,781		1,303	2,755	4,814
1947	4,474	3,741	2,045	492	1,222	2,851	4,851
1948	5,025	3,860	2,429	1,092	1,259	3,003	5,347
1949	5,558	4,380	2,853	1,512	1,279	3,184	5,915
1950	6,208	5,065	3,137	1,695	1,296	3,415	6,354

	Holyoke: Holyoke Bk & Tr Co.	Hotchkiss: First State Bank	Hugo: First Natl Bank	Idaho Springs: First State Bank	Ignacio: Bank of Ignacio	Johnstown: First National Bank	Julesburg: First Natl Bank
1950		1,464	3,465	570	643	1,654	4,013
1951		1,614	3,436	603	790	1,555	3,907
1952		1,520	3,723	694	775	1,883	4,538
1953		1,398	3,529	645	843	1,993	4,772
1954		1,760	3,4.4	734	898	1,968	4,931
1955		1,633	3,037	741	944	1,901	4,550
1956		1,736	3,120	778	1,095	2,109	4,442
1957		1,941	3,086	838	1,061	1,979	4,428
1958		1,970	3,496	790	1,052	2,140	4,740
1959		2,168	3,428	671	1,166	2,099	4,731
1960		2,336	3,285	727	1,182	2,359	4,574
1961		2,412	3,437	652	1,070	1,599	4,492
1962		2,541	4,036	646	1,374	2,473	4,861
1963	698	2,574	3,755	966	1,687	2,677	4,639
1964	586	2,745	3,817	1,667	2,255	2,753	4,952
1965	748	2,863	3,789	1,870	2,252	2,851	4,393
1966	900	2,970	4,074	2,069	2,329	2,948	5,288
1967	1,033	3,138	4,808	2,508	2,708	3,019	5,299
1968	1,295	3,339	5,161	3,312	3,044	3,566	5,474
1969	1,336	3,924	5,371	3,513	3,193	3,596	5,865
1970	1,199	4,190	5,799	3,845	3,314	3,984	6,377

	Keenesburg: Citizens State Bank	Kiowa: Kiowa State Bank	Kirk: Kirk State Bank	Kit Carson: Kit Carson State Bank	Kremmling: Bank of Kremmling	Lafayette: First Natl Bank	La Jara: First Natl Bank
1950	783	1,325	929	1,219	2,124		698
1951	922	1,431	912	1,161	2,500		2,287
1952	1,198	1,461	982	1,281	2,640		2,135
1953	1,379	1,445	911	1,210	2,263	606	1,915
1954	1,544	1,356	901	1,265	2,315	998	2,697
1955	1,522	1,222	789	1,303	2,195	1,436	2,243
1956	1,495	1,276	990	1,253	2,384	1,436	2,214
1957	1,698	1,455	1,157	1,322	2,546	1,353	2,456
1958	1,779	1,655	1,223	1,430	2,756	1,560	2,538
1959	1,862	1,670	1,248	1,571	2,848	1,484	2,487
1960	1,938	1,697	1,391	1,588	2,840	1,608	2,580
1961	1,947	1,779	1,441	1,675	2,800	1,440	2,433
1962	2,059	1,933	1,436	1,602	2,643	1,554	2,829
1963	2,193	1,763	1,328	1,755	3,106	1,599	3,673
1964	2,768	1,970	1,480	1,111	2,906	1,598	3,318
1965	2,252	2,139	1,309	1,725	2,918	1,775	3,771
1966	2,519	1,899	1,509	1,753	2,995	1,869	3,719
1967	2,650	1,999	1,394	2,009	3,329	2,304	3,630
1968	3,060	2,124	1,432	2,239	3,366	2,551	3,692
1969	3,091	2,851	1,570	2,049	3,745	3,076	4,132
1970	3,456	3,280	1,784	2,418	4,166	3,904	4,832

	La Junta: Colo Bank & Tr Co.	La Junta: La Junta State Bank	Lakewood: First Westland Natl Bk	Lakewood: Jefferson Co Bank	Lakewood: Lakewood Colo Natl Bank	Lamar: First Natl Bank
1950	6,078	2,325		4,952		6,815
1951	6,333	2,192		7,933		7,352
1952	6,720	2,286		10,224		6,817
1953	6,592	2,085		10,546		6,439
1954	6,099	2,189		12,979		6,881
1955	6,142	2,433		15,688		5,606
1956	6,315	2,777		16,526	595	5,469
1957	6,604	3,074		16,879	2,143	5,471
1958	7,331	2,953		19,773	4,384	5,132
1959	7,710	3,031		21,576	5,735	5,408
1960	7,693	2,782		22,495	6,568	5,325
1961	7,475	2,724		24,595	7,209	5,417
1962	8,741	3,542		29,042	6,654	6,598
1963	8,953	3,386	2,360	30,279	7,412	6,280
1964	9,221	3,424	3,743	31,797	6,514	6,976
1965	9,134	3,387	5,658	33,815	6,802	7,510
1966	9,065	3,933	9,494	33,660	6,858	7,091
1967	9,941	3,873	13,870	36,870	6,483	7,921
1968	11,445	4,350	15,938	44,382	6,329	8,855
1969	10,424	4,874	16,958	46,735	6,419	9,535
1970	11,800	4,579	18,706	57,316	10,012	10,282

	Lamar: Valley State Bank	La Salle: So Platte Natl Bank	Las Animas: First Natl Bank	Leadville: Commercial Bank	Limon: First Natl Bank	Littleton: United Bank of	Littleton: First Natl Bk of Southglenn
1950	1,794		2,988	1,585	2,943		
1951	1,611		2,840	2,048	2,993		
1952	1,746		3,239	2,932	3,295		
1953	1,649		3,310	2,648	3,240		
1954	1,746		3,182	3,004	3,374		
1955	1,704		3,229	3,035	2,967		
1956	1,594		3,249	3,236	3,067		
1957	1,732		3,340	3,518	3,344		
1958	1,922		3,596	3,147	3,469	2,403	
1959	1,879		3,381	3,118	3,313	3,515	
1960	1,997		3,264	3,761	3,798	4,254	
1961	2,017		3,293	3,682	3,246	5,341	
1962	1,990		4,051	3,567	3,745	6,290	
1963	2,140		4,197	4,077	3,665	7,228	
1964	1,417	879	4,404	4,219	3,522	8,155	378
1965	2,144	1,209	4,255	4,764	3,795	9,787	1,284
1966	2,977	1,627	4,584	4,912	4,195	11,412	2,047
1967	3,730	2,052	4,379	5,162	4,371	12,212	2,848
1968	4,166	2,865	4,567	5,768	4,516	13,078	3,856
1969	4,844	2,953	4,979	6,398	4,810	14,242	4,773
1970	5,286	3,363	5,193	7,438	5,256	16,826	7,322

	Littleton: Littleton Natl Bank	Longmont: First Natl Bank	Longmont: Longmont Natl Bank	Longmont: St Vrain Valley State Bk	Louisville: First Natl Bk	Loveland: First Natl Bk	Loveland: Home State Bank
1950	4,390	8,474	5,221				
1951	4,826	9,000	5,806		580	6,290	1,134
1952	5,604	9,696	6,368		673	7,180	1,581
1953	5,773	9,365	6,638		800	7,148	2,467
1954	7,770	9,981	6,042		1,052	7,258	2,568
					1,045	6,807	3,280
1955	7,322	9,562	6,050		1,394	6,938	3,185
1956	7,426	9,782	6,326		1,423	7,425	3,355
1957	8,063	10,455	6,561		1,545	7,793	3,499
1958	9,553	11,346	7,409		1,749	8,770	4,153
1959	9,946	11,118	7,572		1,678	9,067	4,524
1960	11,041	11,834	8,138		1,699	9,465	4,654
1961	10,657	11,957	8,322		1,721	12,113	5,306
1962	11,646	13,919	10,078		1,992	14,335	6,848
1963	11,934	13,826	10,354		2,136	14,471	6,629
1964	12,426	14,562	10,675	595	2,232	12,853	6,211
1965	12,758	14,919	10,495	1,469	2,315	14,451	6,615
1966	11,985	16,298	12,244	2,177	2,443	16,765	7,320
1967	12,275	17,880	13,249	3,075	2,588	18,778	8,084
1968	14,418	19,939	14,528	3,897	2,663	21,132	8,987
1969	14,347	20,526	15,024	4,386	3,185	23,428	9,857
1970	15,572	23,699	16,420	5,698	3,508	25,433	9,633

	Loveland: Westlake First Natl Bk	Manassa: Colonial State Bk	Mancos: Mancos State Bk	Manitou Springs: Bank of Manitou	Manzanola: J.N. Beaty & Co	McClave: McClave State Bank	Meeker: First Natl Bank
1950		312		1,958	826	489	2,435
1951		372		2,298	758	595	3,588
1952		289		2,273	920	577	3,554
1953		265		2,137	888	610	4,353
1954				2,406	829	595	4,485
1955				2,391	767	600	3,207
1956				2,209	798	670	3,133
1957				2,074	761	578	3,361
1958				2,048	899	700	3,513
1959				1,858	893	652	3,822
1960				1,740	698	715	4,080
1961				1,729	646	645	3,970
1962				1,874	738	679	4,113
1963				1,971	709	686	4,363
1964			530	1,954	663	802	4,397
1965	833		830	1,702	667	815	4,660
1966	1,214		882	1,708	770	860	4,808
1967	1,630		1,211	1,854	717	910	5,240
1968	2,232		1,305	2,247	718	1,014	5,571
1969	3,228		1,477	3,020	802	1,095	5,615
1970	3,718		1,542	3,663	738	1,114	6,456

	Minturn: Eagle Valley Bank	Monte Vista: Fidelity Bk & Tr Co	Montrose: First Natl Bk	Montrose: Montrose Natl Bk	Northglenn: First Natl Bk	Norwood: San Miguel Basin State Bk	Ordway: First Natl Bk
1950		2,868	5,906	1,704		450	2,014
1951		3,101	6,111	1,891		583	1,938
1952		3,087	6,137	1,885		678	2,201
1953		2,674	6,279	1,991		922	2,014
1954		2,386	6,897	2,642		1,243	1,859
1955		2,562	7,011	2,431		1,159	1,700
1956		2,601	6,427	2,436		1,357	1,707
1957		2,973	7,550	2,678		1,283	1,741
1958		3,019	6,758	2,811		1,331	1,822
1959		3,124	7,055	2,937		1,539	1,832
1960		3,213	7,176	3,106		1,736	1,979
1961		3,121	7,360	3,525		1,847	1,736
1962		3,665	7,828	3,242		2,000	1,894
1963		4,361	10,085	4,058	737	2,139	1,969
1964		4,369	9,385	4,393	2,064	2,101	1,979
1965		4,509	10,083	4,399	2,868	2,305	1,622
1966		4,902	10,274	5,341	4,046	2,579	1,719
1967		5,667	11,616	7,381	5,194	2,976	1,602
1968		6,387	13,244	6,031	6,969	3,747	1,560
1969		6,540	13,804	6,150	7,990	3,650	1,904
1970		7,188	15,118	7,192	9,450	4,199	1,772

	Otis: First Natl Bank	Ouray: Citizens State Bk	Pagosa Springs: Citizens Bank	Palisade: Palisades Natl Bk	Paonia: First Natl Bk	Pueblo: United Bank of	Pueblo: First Natl Bk	Pueblo: Midtown Natl
1950	1,757	1,271	957	2,318	1,473	1,648	38,374	
1951	1,937	1,563	1,156	2,207	1,502	4,169	35,939	
1952	2,019	1,894	885	2,003	1,619	5,541	37,736	
1953	2,247	2,042	808	2,143	1,580	5,960	39,9[illegible]	
1954	2,326	2,080	917	2,261	1,713	6,190	43,770	
1955	1,904	2,187	994	2,445	1,727	7,699	46,071	
1956	1,916	2,255	1,005	2,293	1,796	8,000	42,705	
1957	2,015	2,196	1,092	2,462	1,733	8,089	41,820	
1958	2,194	2,323	1,331	2,342	1,802	7,858	51,283	
1959	1,956	2,407	1,252	2,576	2,014	8,608	48,603	
1960	2,032	2,691	1,260	2,474	2,043	9,702	45,013	
1961	2,199	2,682	1,295	2,309	2,068	11,646	46,331	
1962	2,341	3,098	1,340	2,440	2,376	12,021	51,477	
1963	2,342	3,024	1,649	2,311	2,409	13,661	50,872	
1964	2,483	3,177	1,522	2,172	2,601	14,228	53,375	
1965	2,371	3,056	1,623	2,438	2,714	14,368	53,852	676
1966	2,681	3,224	1,519	2,327	2,960	13,[illegible]	48,001	1,008
1967	2,916	3,231	1,845	2,693	3,402	[illegible]	53,[illegible]55	1,[illegible]19
1968	3,375	3,544	2,019	3,010	3,778	[illegible]	[illegible],381	2,143
1969	3,620	3,356	2,198	3,158	4,086	15,458	53,541	2,802
1970	3,695	3,701	2,472	3,251	4,433	19,541	55,670	6,306

	Pueblo: Minnequa Bank	Pueblo: Park Natl Bk	Pueblo: Pueblo Bk & Tr	Pueblo: Republic Natl Bk	Rangely: Bank of Rangely	Rifle: First Natl Bk	Rocky Ford: Empire State Bk	Rocky Ford: Rocky Ford Natl
1950	7,247		14,578			1,717	769	3,209
1951	8,701		15,344			2,067	1,050	3,213
1952	10,090		17,096			2,034	1,406	3,568
1953	11,274		16,771			2,204	1,219	3,370
1954	12,313		17,643			2,306	1,222	3,184
1955	12,831		18,468			2,631	1,251	3,087
1956	13,910		19,458			2,913	1,330	3,260
1957	14,972		20,552			3,019	1,467	3,063
1958	14,885		19,892			3,059	1,384	3,432
1959	15,815		20,374			3,012	1,472	3,641
1960	15,816		20,539			3,320	1,508	3,424
1961	16,899		20,560			3,195	1,537	3,636
1962	17,534	614	22,441	1,092		3,367	1,587	3,765
1963	18,273	1,635	23,169	2,299	924	3,760	1,743	3,754
1964	19,883	1,787	24,990	3,815	1,566	4,580	1,628	4,186
1965	19,194	1,950	24,818	4,097	1,362	4,675	1,712	3,706
1966	19,869	2,542	24,012	4,526	1,335	5,028	1,483	3,610
1967	19,704	2,707	26,252	5,938	1,438	5,373	1,640	4,259
1968	21,054	3,510	28,237	9,026	1,718	5,751	1,766	4,643
1969	21,402	3,555	29,206	9,714	2,436	5,973	2,189	4,499
1970	23,743	4,168	35,809	11,709	1,555	6,747	2,542	5,497

	Saguache: Saguache Co Natl Bk	Salida: First Natl Bk	Security: Bank of Fountain Valley	Springfield: First Natl Bk	Steamboat Springs: Routt Co Natl Bank	Sterling: Comm Svgs Bk	Sterling: First Natl Bank
1950	1,225	2,665		3,843	5,047	6,549	
1951	1,224	3,121		3,864	5,626	6,317	
1952	1,085	3,024		3,371	5,745	7,021	
1953	971	2,757		3,174	5,434	6,813	
1954	966	2,788		3,054	5,425	6,570	
1955	1,082	2,788		3,167	5,761	6,164	
1956	1,217	2,970		3,209	6,002	5,981	
1957	1,114	3,259		3,397	5,904	6,423	
1958	1,073	3,370		4,064	6,221	6,569	
1959	1,000	3,259		3,957	6,251	6,576	
1960	899	3,340		4,112	6,216	6,729	
1961	784	3,547		4,327	6,471	6,544	
1962	1,019	4,068		4,777	6,832	7,306	681
1963	1,153	4,083	1,107	4,580	7,378	7,137	2,740
1964	843	4,469	1,046	4,463	8,062	6,999	3,133
1965	764	4,823	2,076	4,855	8,398	8,045	3,700
1966		5,250	2,122	4,921	8,155	8,148	4,612
1967		5,875	2,744	5,859	9,224	9,584	6,145
1968		7,174	3,428	6,153	10,850	10,092	7,743
1969		7,096	3,670	6,807	12,543	11,068	7,176
1970		8,297	4,548	7,918	13,803	13,038	7,436

	Sterling: Security State Bk	Strasburg: First Natl Bk	Stratton: First Natl Bk	Telluride: Bank of Telluride	Thornton: No Valley State Bk	Trinidad: First National Bank	Trinidad: Trinidad National Bank
1950	7,300	3,030	2,295				
1951	8,284	3,071	2,052			8,992	3,677
1952	8,846	3,769	2,557			9,211	4,248
1953	9,662	3,885	2,587			8,894	4,111
1954	10,290	3,877	2,100			8,489	4,354
1955	9,595	3,430	1,633			8,526	4,215
1956	9,747	3,485	1,670			8,418	4,482
1957	9,921	3,948	1,805			8,722	4,269
1958	11,584	4,723	2,547			8,894	4,900
1959	11,528	4,838	2,571			9,597	4,569
1960	11,366	5,131	2,663			9,759	4,410
1961	11,806	6,008	2,338			9,286	4,951
1962	13,528	5,811	2,624			9,392	5,388
1963	13,784	5,983	2,945		1,741	9,716	6,332
1964	13,853	5,816	3,092		2,288	9,716	6,253
1965	15,264	6,280	3,317			9,063	5,794
1966	16,301	6,566	3,367		3,263	8,908	5,910
1967	18,369	6,917	3,494		3,568	9,476	5,753
1968	19,862	7,437	4,310		4,339	9,794	6,056
1969	22,707	7,888	4,699	820	5,318	9,542	6,608
1970	24,045	8,738	5,029	1,315	6,338	9,977	7,121
					8,359	11,397	7,977

	Vail: Bank of Vail	Walden: No Park State Bank	Walsenburg: First Natl Bk	Walsh: Colo State Bk	Westminster: First Natl Bk	Wheatridge: Lakeside Natl Bk	Wheatridge: Wheatridge Natl Bk	Wiley: State Bank of
1950			4,465	2,076				888
1951			4,530	2,233				919
1952			4,042	1,833				1,220
1953			3,618	1,701				1,100
1954			3,695	1,604				1,118
1955		773	3,628	1,762				1,047
1956		1,104	3,757	1,638				1,119
1957		1,283	4,222	1,679				1,207
1958		1,269	3,707	1,905				1,207
1959		1,280	3,947	1,978	2,607	2,446		1,264
1960		1,169	3,643	2,119	4,274	3,858		475
1961		1,033	3,607	2,083	5,869	5,685		1,260
1962		1,389	3,643	2,413	7,166	6,586		1,635
1963		1,754	3,690	2,589	7,293	6,963		1,682
1964		1,400	3,427	2,361	9,126	8,537		2,153
1965		1,430	3,546	2,192	9,182	9,531		1,737
1966		1,585	4,239	2,902	10,360	13,830		2,002
1967		1,918	4,459	2,876	11,195	17,274		2,091
1968	1,967	2,127	5,310	3,354	13,173	19,241		2,305
1969	3,476	2,331	5,419	3,234	15,346	21,357	394	2,830
1970	4,106	2,420	6,731	3,552	16,869	25,092	2,401	3,267

	Windsor: First National Bank	Woodland Park: Park State Bank	Wray: First National Bank	Yuma: Farmers State Bank
1950	1,913			
1951	2,030		5,280	3,014
1952	2,219		5,928	3,332
1953	2,383		6,707	3,369
1954	2,510		6,392	3,616
1955	2,226		6,538	4,104
1956	2,285		5,559	3,084
1957	2,571		5,304	2,953
1958	2,730		5,366	3,492
1959	2,775		6,043	3,892
1960	2,711		5,760	3,821
1961	2,745		5,528	3,821
1962	3,004		5,480	4,025
1963	2,815		7,092	4,090
1964	3,124		7,326	3,756
1965	3,586	473	6,918	3,841
1966	3,813	833	7,529	4,509
1967	4,074	1,094	7,442	5,067
1968	4,994	1,444	8,043	5,515
1969	5,441	1,645	9,096	6,174
1970	5,709	2,234	9,262 10,759	6,810 7,231

Sources: Mountain States Bankers Yearbook, 1950 - 1968;
Polks World Bank Directory, March 1970;
Colorado Bankers Association

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TABLE

Colorado Bank Holding Company

Subsidiary Structure, year end 1970

Joined Holding Company		Bank Organized	Deposits Year-end 1970 (000)	
	FIRST NATIONAL BANCORPORATION			
1968	First National Bank of Southglenn Littleton	1964	7,322	DN
1968	First National Bank of Bear Valley Denver	1964	12,480	DN
1968	First National Bank of Denver	1860	560,381	P
1968	First National Bank North Glenn	1963	9,450	DN
		Total	589,633	
	First National Bank Greeley (Weld)	1884	40,862	(A)
		Total	630,495	
	UNITED BANKS OF COLORADO INC. (DENVER U.S. BANCORP)			
1964	First Bank of Aurora (Arapahoe)	1943	14,606	A
1966	Mercantile Bank & Trust Co. Boulder	1904	25,549	A
1964	Denver United States National Bank Denver	1884	485,442	P
1965	Weld County Bank Greeley	1889	27,370	A
1964	Arapahoe Valley Bank Littleton	1958	16,826	A
1970	Villa National Bank Denver	1966	7,568	A
1969	Poudre Valley National Bank Fort Collins	1878	40,189	A
1969	Arkansas Valley Bank Pueblo	1950	19,541	A
1971	Mesa National Bank of Grand Junction	1964	8,279	A
		Total	645,370	
	COLORADO CNB BANKSHARES INC.			
1968	Colorado National Bank of Denver	1862	282,436	P
1968	Northeast Colorado National Bank of Denver	1963	10,829	DN
1968	South Colorado National Bank Denver	1964	5,545	DN
1969	Lakewood Colorado National Bank	1969	10,012	B
1970	Bank of Glenwood	1963	6,218	A
		Total	315,040	
	AFFILIATED BANKSHARES OF COLORADO INC.			
1970	First National Bank Boulder	1934	68,309	A
1970	Arapahoe National Bank Boulder	1960	6,958	DN
1970	First National Bank Lafayette Boulder	1953	3,904	A
1970	First National Bank Louisville Boulder	1915	3,508	A
		Subtotal	82,679	
1970	Greeley National Bank Weld	1934	43,735	A
1970	Cache National Bank Weld	1962	7,738	DN
1970	West Greeley National Bank Weld	1963	3,557	DN
1970	Farmers National Bank of Ault Weld	1906	6,221	A
		Subtotal	61,251	
1970	First National Bank Loveland Larimer	1932	25,433	A
1970	Westlake National Bank Loveland (Larimer)	1964	3,718	DN
		Subtotal	29,151	

Joined Holding Company		Bank Organized	Deposits Year-end 1970 (000)	
1970	First National Bank Colorado Springs	1874	104,210	P
1970	Bank of Manitou (Manitou Springs)	1907	3,663	A
1970	Fort Carson National Bank	1967	4,892	DN
		Subtotal	112,765	
		Total	285,846	
	WESTERN BANCORPORATION			
1956	American National Bank Denver	1905	130,872	A
1956	Continental National Bank Englewood	1951	36,271	A
1956	First National Bank in Fort Collins	1934	54,404	A
		Total	221,547	
	FIRST COLORADO BANKSHARES			
1963	Security National Bank Denver	1963	29,747	DN
1962	University National Bank Denver	1956	27,434	DN
1962	First National Bank of Englewood	1910	64,653	P
1962	Lakside National Bank Wheat Ridge	1959	25,092	DN
		Total	146,926	
	CENTRAL COLORADO BANCORPORATION INC.			
1970	Rocky Ford National Bank	1908	5,497	A
1970	Central Colorado Bank Colorado Springs	1953	30,545	P
1970	Academy Boulevard Bank Colorado Springs	1966	7,818	A
		Total	43,860	

Keys: DN—De Novo
R—Reserve
A—Required
P—Principal Bank

Source: American Bank Directory—Fall 1970; *Polk's*—March 1971 Edition; *Moody's Bank & Finance Manual.*

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TABLE

Population and Percentage Increase Colorado and United States 1860-1970

Population

Year	United States	% Increase	Colorado	% Increase
1860	31,443,321		34,277	
1870	38,558,371	22.6	39,864	16.2
1880	50,155,783	30.1	194,327	387.4
1890	62,947,714	25.6	413,249	112.7
1900	75,994,575	20.8	539,700	30.6
1910	91,972,266	20.0	799,024	48.0
1920	105,710,620	14.9	939,629	17.6
1930	122,775,046	16.1	1,035,791	10.2
1940	131,669,275	7.2	1,123,296	8.4
1950	150,697,361	14.4	1,325,089	17.9
1960	179,323,175	18.9	1,753,947	32.3
1970	203,184,772	13.3	2,207,259	25.8

Source: U. S. Department of Commerce, Bureau of the Census.

TABLE

POPULATION COLORADO COUNTIES CENSUS
YEARS 1940-1970

Counties:	Population			
Rocky Mountain Front	1940	1950	1960	1970
Adams [1]	22,481	40,234	120,296	185,789
Arapahoe [1]	32,150	52,125	113,426	162,143
Boulder	37,438	48,296	74,254	131,889
El Paso	54,025	74,523	143,742	235,972
Jefferson [1]	30,725	55,687	127,520	233,031
Larimer	35,539	43,554	53,343	89,900
Pueblo	68,870	90,188	118,707	118,238
Weld	63,747	67,504	72,344	89,297
Subtotal	344,975	472,111	823,632	1,246,259
	1940	1950	1960	1970
Denver	322,412	415,786	493,887	514,678
Rest of the State	1940	1950	1960	1970
Alamosa	10,484	10,531	10,000	11,422
Archuleta	3,806	3,030	2,629	2,733
Baca	6,207	7,964	6,310	5,674
Bent	9,653	8,775	7,419	6,493
Chaffee	8,109	7,168	8,298	10,162
Cheyenne	2,964	3,453	2,789	2,396
Clear-Creek	3,784	3,289	2,793	4,819
Conejos	11,648	10,171	8,428	7,846
Costilla	7,533	6,067	4,219	3,091
Crowley	5,398	5,222	3,978	3,086
Custer	2,270	1,573	1,305	1,120
Delta	16,470	17,365	15,602	15,286
Dolores	1,958	1,966	2,196	1,641
Douglas	3,496	3,507	4,816	8,407
Eagle	5,361	4,488	4,677	7,498
Elbert	5,460	4,477	3,708	3,903
Fremont	19,742	18,336	20,196	21,942
Garfield	10,560	11,625	12,017	14,821
Gilpin	1,625	850	685	1,273
Grand	3,587	3,963	3,557	4,107
Gunnison	6,192	5,716	5,477	7,578
Hinsdale	349	263	208	202
Huerfano	16,088	10,549	7,867	6,590
Jackson	1,798	1,976	1,758	1,811
Kiowa	2,793	3,003	2,425	2,029
Kit Carson	7,512	8,600	6,957	7,530
Lake	6,883	6,150	7,150	8,282
La Plata	15,494	14,880	19,225	19,199

[1] Parts of county were annexed to Denver between 1941 and 1949.

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Population Colorado Counties Census
Years 1940-1970

Rest of the State	1940	1950	1960	1970
Las Animas	32,369	25,902	19,983	15,744
Lincoln	5,882	5,909	5,310	4,836
Logan	18,370	17,187	20,302	18,852
Mesa	33,791	38,974	50,715	54,374
Mineral	975	698	424	786
Moffat	5,086	5,946	7,061	6,525
Montezuma	10,463	9,991	14,024	12,952
Montrose	15,418	15,220	18,286	18,366
Morgan	17,214	18,074	21,192	20,105
Otero	23,571	25,275	24,128	23,523
Ouray	2,089	2,103	1,601	1,546
Park	3,272	1,870	1,822	2,185
Phillips	4,948	4,924	4,440	4,131
Pitkin	1,836	1,646	2,381	6,185
Prowers	12,304	14,836	13,296	13,258
Rio Blanco	2,943	4,719	5,150	5,852
Rio Grande	12,404	12,832	11,160	10,494
Routt	10,525	8,940	5,900	6,592
Saguache	6,173	5,664	4,473	3,827
San Juan	1,439	1,471	849	831
San Miguel	3,664	2,693	2,944	1,949
Sedgewick	5,294	5,095	4,242	3,405
Summit	1,754	1,135	2,073	2,665
Teller	6,463	2,754	2,495	3,316
Washington	8,336	7,520	6,625	5,550
Yuma	12,102	10,827	8,912	8,544
Subtotal	455,909	437,192	436,428	446,322
TOTAL	1,123,296	1,325,089	1,753,947	2,207,259

Absolute Growth

	1940-1970	1940-1950	1950-1960	1960-1970
State	1,083,963	201,793	428,858	453,312
	(96.5%)	(18.0%)	(32.4%)	(25.8%)
Rocky Mountain Front	901,284	127,136	351,521	422,627
	(261.3%)	(36.9%)	(74.5%)	(51.3%)
Weld County	25,550	3,757	4,840	16,953
	(40.0%)	(5.9%)	(7.2%)	(23.4%)
Denver	192,266	93,374	78,101	20,791
	(59.6%)	(29.0%)	(18.8%)	(4.2%)
Rest of State	−9,587	−18,717	−764	9,894
	(−2.1%)	(−4.1%)	(−0.2%)	(2.3%)

Source: U. S. Department of Commerce, Bureau of the Census.

TABLE 6

Population Centers in Colorado By Size Category

50,000 or Larger

City	County	Population 1940	1950	1960	1970
Aurora *	Adams/Arapahoe	3,437	11,421	48,548	74,974
Boulder	Boulder	12,958	19,999	37,718	66,870
Colorado Springs	El Paso	36,789	45,472	70,194	135,060
Denver	Denver	322,412	415,786	493,887	514,678
Lakewood *	Jefferson	----	----	----	92,787
Pueblo	Pueblo	52,162	63,685	91,181	97,543

25,000 to 50,000

City	County	1940	1950	1960	1970
Arvada *	Adams/Jefferson	----	----	19,242	46,814
Englewood*	Arapahoe	9,680	16,869	33,398	33,695
Fort Collins	Larimer	12,251	14,937	25,027	43,337
Greeley	Weld	15,995	20,354	26,314	38,902
Littleton*	Arapahoe	2,244	3,378	13,670	26,466
North Glenn*	Adams	----	----	----	27,937
Wheatridge*	Jefferson	----	----	----	29,795

TABLE 6 (cont'd.)

15,000 to 25,000

City	County	Population			
		1940	1950	1960	1970
Commerce City*	Adams	----	----	8,970	17,407
Fort Carson	El Paso	----	----	----	19,399
Grand Junction	Mesa	12,479	14,504	18,694	20,170
Littleton Southeast*	Arapahoe	----	----	----	22,899
Longmont	Boulder	7,406	8,099	11,489	23,209
Security-Widefield	El Paso	----	----	----	15,297
Sherrellwood*	Adams	----	----	----	18,868
Westminster*	Adams	----	----	13,850	19,432
Loveland	Larimer	6,145	6,773	9,734	16,220

10,000 to 15,000

City	County	Population			
		1940	1950	1960	1970
Derby *	Adams	946	4,010	10,124	10,206
Durango	La Plata	5,887	7,459	10,530	10,333
Sterling	Logan	7,411	7,534	10,751	10,636
Thornton*	Adams	----	----	11,353	13,326

TABLE 6 (cont'd.)

5,000 to 10,000

City	County	Population			
		1940	1950	1960	1970
Alamosa	Alamosa	5,613	5,354	6,205	6,985
Applewood *	Jefferson	----	----	----	8,214
Brighton	Adams	4,029	4,336	7,055	8,309
Broomfield *	Boulder/Jefferson	----	----	----	7,261
Canon City	Fremont	6,690	6,345	8,973	9,206
Cortez	Montezuma	1,778	2,680	6,764	6,032
Fort Morgan	Morgan	4,884	5,315	7,379	7,594
Golden *	Jefferson	3,175	5,238	7,118	9,817
La Junta	Otero	7,040	7,712	8,026	7,938
Lamar	Prowers	4,445	6,829	7,369	7,797
Montrose	Montrose	4,764	4,964	5,044	6,496
Orchard Mesa	Mesa	----	----	4,956	5,824
Stratton Meadows	El Paso	----	----	----	6,223
Trinidad	Las Animas	13,223	12,204	10,691	9,901
Welby*	Adams	----	----	----	6,875
Westminster East *	Adams	----	----	----	7,567

* Suburb of Denver (within ten miles).

TABLE

UNIVERSITY OF NORTHERN COLORADO - GREELEY

	Fall Quarter:			
	1940	1950	1960	1970
Resident Student Body	1,401	2,174	4,234	10,547
Faculty	101	133	259	546

SOURCE: Frank P. Lakin
Vice President for Academic Affairs

100 LARGEST BANKS IN AGRICULTURAL LOANS

By Size of Loans to Farmers

Compiled by AMERICAN BANKER Copyright, 1970

Rank 6/30/70	Bank	Agricultural Loans: Total Loans(a) 6/30/70	Agricultural Loans: On Real Estate(b) 6/30/70	Agricultural Loans: Other Loans(c) 6/30/70	Total Loans 6/30/69	Total Deposits 6/30/70
1	Bank of America NT&SA, San Francisco	$349,500,000	$77,200,000	$[illegible]	$[illegible]	$[illegible]
2	Valley National Bank of Arizona, Phoenix	150,833,598	2,070,572	148,762,726	[illegible]	[illegible]
3	Security Pacific National Bank, Los Angeles	153,018,161	11,742,593	141,316,570	147,938,628	[illegible]
4	Wells Fargo Bank N.A., San Francisco	101,624,868	17,948,756	83,676,112	110,264,703	[illegible]
5	Crocker-Citizens National Bank, San Francisco	84,487,976	20,433,593	64,054,383	87,341,723	[illegible]
6	United California Bank, Los Angeles	78,516,616	10,413,211	68,139,405	101,359,475	[illegible]
7	First National Bank of Oregon, Portland	74,079,693	3,977,335	70,031,723	89,344,108	[illegible]
8	Seattle-First National Bank, Washington	74,021,937	3,203,429	70,748,618	70,603,596	[illegible]
9	Idaho First National Bank, Boise	57,634,335	2,927,551	55,506,924	53,960,891	[illegible]
10	National Bank of Commerce, Seattle	53,175,441	3,420,055	49,754,796	49,853,134	[illegible]
11	United States National Bank of Oregon, Portland	53,390,562	8,202,326	45,569,236	55,314,371	[illegible]
12	First National Bank of Arizona, Phoenix	49,325,570	4,429,293	44,953,276	46,004,234	[illegible]
13	United States National Bank, San Diego, Calif.	39,825,510	37,983,485	2,732,025	77,379,647	[illegible]
14	Omaha National Bank, Neb.	37,758,443	37,710	37,720,733	60,201,842	[illegible]
15	First National Bank of Denver, Colo.	37,527,079	10,033	37,517,046	59,919,539	[illegible]
16	Old National Bank of Washington, Spokane	37,492,906	5,913,626	31,579,280	38,710,662	[illegible]
17	First Security Bank of Idaho NA, Boise	30,319,208	1,539,251	28,779,957	32,832,787	[illegible]
18	National Bank of South Dakota, Sioux Falls	26,271,411	929,440	25,341,971	29,597,348	[illegible]
19	First National Bank of Amarillo, Tex.	25,121,724	1,232,234	23,889,490	26,503,089	[illegible]
20	United Bank of Denver NA, Colo.	24,316,320	63,223	24,253,097	28,966,943	[illegible]
21	Bank of California, San Francisco	23,589,926	11,934,732	11,654,324	16,389,573	[illegible]
22	Northwestern Bank, North Wilkesboro, N. C.	23,482,959	10,439,468	13,043,491	20,434,858	[illegible]
23	First National Bank of Aberdeen, S. D.	23,318,206	393,864	22,924,341	18,444,831	[illegible]
24	First National Bank & Trust Co., Lincoln, Neb.	22,847,345	283,657	22,563,688	20,394,884	[illegible]
25	Northwestern National Bank, Sioux Falls, S. D.	22,155,455	682,148	21,532,310	13,[illegible],843	[illegible]
26	First-Citizens Bank & Trust Co., Smithfield, N. C.	21,700,285	9,276,592	12,423,694	[illegible]	[illegible]
27	First National Bank & Trust Co., Kalamazoo, Mich.	20,055,122	11,510,376	8,544,747	21,284,137	[illegible]
28	First Security Bank of Utah NA, Ogden	19,797,674	2,319,294	17,478,380	23,093,511	[illegible]
29	Virginia National Bank, Norfolk	19,668,206	8,117,251	11,550,954	15,753,547	[illegible]
30	First Western Bank & Trust Co., Los Angeles	19,053,371	3,840,166	15,213,205	23,663,317	[illegible]
31	Monticello State Bank, Iowa	18,215,233	6,404,221	11,811,012	16,903,629	[illegible]
32	Pacific National Bank of Washington, Seattle	16,153,811	2,462,637	13,691,174	15,551,476	[illegible]
33	Bank of Idaho, Boise	16,076,218	612,191	15,463,825	17,462,783	[illegible]
34	Maryland National Bank, Baltimore	15,310,274	12,119,113	3,191,161	13,631,351	[illegible]
35	First National Bank, Dallas	15,066,637	3,127,641	11,938,996	[illegible]	[illegible]
36	Branch Banking & Trust Co., Wilson, N. C.	14,768,136	4,329,604	10,438,532	13,281,068	[illegible]
37	Peoples National Bank, Seattle	14,661,911	216,273	14,445,638	17,343,715	[illegible]
38	American National Bank of St. Joseph, Mo.	13,354,196	2,403,148	10,951,048	12,500,202	[illegible]
39	First National Bank of the Black Hills, Rapid City, S. D.	13,352,518	37,610	13,314,908	12,672,630	[illegible]
[illegible]	[illegible]	13,301,033	2,890,751	10,481,282	14,268,527	[illegible]
41	Colorado National Bank, Denver	13,112,870	1,008,504	12,104,374	[illegible]	[illegible]
42	Peoples Bank & Trust Co., Rocky Mount, N. C.	12,898,722	3,334,320	9,564,402	11,519,688	[illegible]
43	First National Bank, Wichita, Kan.	12,701,648	622,960	12,078,688	13,160,853	[illegible]
44	Wachovia Bank & Trust Co. NA, Winston-Salem, N. C.	12,620,642	2,983,269	9,857,398	12,381,684	[illegible]
45	Watsaman Bank & Trust Co., Whiteville, N. C.	12,351,314	3,006,371	7,344,943	17,016,267	[illegible]
46	Fidelity National Bank, Lynchburg, Va.	12,268,258	4,454,414	7,847,182	12,452,552	[illegible]
47	Farmers & Mechanics National Bank, Frederick, Md.	12,191,730	8,333,670	3,858,060	12,137,258	[illegible]
48	National Bank of Commerce Trust & SA, Lincoln, Neb.	12,168,895	472,853	11,696,042	10,078,588	[illegible]
49	Clovis National Bank, N. M.	11,908,537	839,268	11,121,171	10,773,378	[illegible]
50	Idaho Bank of Commerce, Rexburg	11,350,062	258,945	11,591,117	10,906,612	[illegible]
51	Commerce Bank, Kansas City, Mo.	11,824,291	4,643,163	7,182,128	12,644,198	[illegible]
52	Northwestern National Bank of Sioux City, Iowa	11,713,925	2,264,488	11,449,437	10,332,834	[illegible]
53	First Victoria National Bank, Texas	11,640,527	3,868,254	8,598,272	11,256,773	[illegible]
54	United States National Bank, Omaha, Neb.	11,358,613	174,568	11,136,044	13,569,058	[illegible]
55	Farmers & Merchants Bank of Central Calif., Lodi	11,229,473	2,501,845	8,420,426	10,782,629	[illegible]
56	First-Wichita National Bank, Wichita Falls, Texas	11,206,026	1,478,614	9,727,422	13,867,471	[illegible]
57	Fort Worth National Bank, Texas	11,166,161	876,762	10,169,429	13,718,587	[illegible]
58	First National Bank of Greeley, Colo.	11,128,624	320,548	10,608,376	11,828,033	[illegible]
59	Central Valley National Bank, Oakland, Calif.	11,098,550	3,821,312	7,194,338	12,757,268	[illegible]
60	Arizona Bank, Phoenix	11,049,258	345,557	10,703,701	14,179,423	[illegible]
61	Southern Arizona Bank & Trust Co., Tucson	11,043,595	37,520	11,006,395	9,738,488	[illegible]
62	Toy National Bank of Sioux City, Iowa	10,927,673	1,620,284	9,316,389	11,381,241	[illegible]
63	First National Exchange Bank, Roanoke, Va.	10,847,272	5,121,398	5,725,874	11,305,298	[illegible]
64	Security National Bank, Kansas City, Kan.	10,839,000	818,000	10,237,000	8,871,574	[illegible]
65	State Bank of Albany, N. Y.	10,330,447	7,402,589	2,827,858	12,165,884	[illegible]
66	State National Bank, Decatur, Ala.	10,262,267	4,210,554	6,315,613	8,863,732	[illegible]
67	Walker Bank & Trust Co., Salt Lake City, Utah	10,241,535	241,510	9,200,025	[illegible]	[illegible]
68	Amarillo National Bank, Texas	10,262,068	28,017	10,204,181	10,368,332	[illegible]
69	Central National Bank, Chicago	10,231,351	681,710	9,539,641	12,554,009	[illegible]
70	First Union National Bank, Charlotte, N. C.	10,168,469	3,512,781	6,675,918	10,813,448	[illegible]
71	First Wisconsin National Bank, Milwaukee	9,846,828	[illegible]	9,246,828	8,983,377	[illegible]
72	First National Bank of Grand Island, Neb.	9,813,508	268,488	9,545,198	8,560,882	[illegible]
73	Twin Falls Bank & Trust Co., Idaho	9,732,839	340,767	9,392,072	7,547,051	[illegible]
74	First National Bank, Joliet, Ill.	9,636,851	1,536,479	8,100,372	8,078,441	[illegible]
75	Bank of Stockton, Calif.	9,598,000	5,132,000	4,466,000	9,120,604	[illegible]
76	Northwestern National Bank, Omaha	9,535,529	22,357	9,513,172	8,671,327	[illegible]
77	Greeley National Bank, Colo.	9,527,843	146,333	9,381,510	10,668,342	[illegible]
78	Morgan Guaranty Trust Co., New York	9,483,602	[illegible]	9,483,602	11,776,241	[illegible]
79	Guaranty State Bank, Alliance, Neb.	9,113,132	540,537	8,572,595	8,498,823	[illegible]
80	Southern National Bank, Lumberton, N. C.	9,035,428	3,100,342	5,935,086	10,021,401	[illegible]
81	Livestock National Bank, Kansas City, Mo.	9,030,803	97,430	8,933,373	8,400,553	[illegible]
82	Bank of Tokyo of California, San Francisco	8,911,850	6,556,472	2,355,378	9,341,825	[illegible]
83	First National Bank, Reno, Nev.	8,798,514	115,598	8,682,916	8,100,913	[illegible]
84	Security State Bank, Sterling, Colo.	8,612,621	76,512	8,536,109	8,354,135	[illegible]
85	Oneida National Bank & Trust Co. of Central N. Y., Utica	8,572,358	2,141,478	6,430,880	8,711,427	[illegible]
86	Idaho Bank & Trust Co., Pocatello	8,562,462	15,020	8,533,142	8,359,400	[illegible]
87	Jackson State Bank & Trust Co., Maquoketa, Iowa	8,471,468	1,071,237	6,506,109	7,662,317	[illegible]
88	Security Trust & Savings Bank, Billings, Mont.	8,471,468	192,079	8,279,378	9,600,087	[illegible]
89	First Security National Bank & Trust Co., Lexington, Ky.	8,354,425	2,674,727	6,379,758	8,781,192	[illegible]
90	First National Bank of Jackson, Miss.	8,348,182	4,555,271	3,357,911	8,652,823	[illegible]
91	Stockmen's Bank, Gillette, Wyo.	8,291,589	116,536	8,150,444	8,271,357	[illegible]
92	First National Bank of North Platte, Neb.	8,241,011	1,044,195	7,193,216	8,338,036	[illegible]
93	First National Bank of Fort Worth, Texas	8,209,178	1,143,220	7,065,408	8,760,797	[illegible]
94	Central Bank, Monroe, La.	8,103,468	249,333	7,854,633	10,645,350	[illegible]
95	First National Bank of Holdrege, Neb.	8,083,395	383,055	7,650,350	7,217,206	[illegible]
96	First National Bank of Hereford, Texas	8,059,157	312,717	7,746,740	9,535,696	[illegible]
97	First State Bank of Uvalde, Texas	8,002,587	370,443	7,630,144	7,263,982	[illegible]
98	Council Bluffs Savings Bank, Iowa	8,002,055	413,596	7,588,459	7,313,070	[illegible]
99	Farmers State Bank, Fort Morgan, Colo.	7,960,500	49,800	7,910,700	7,897,563	[illegible]
100	Manufacturers & Traders Trust Co., Buffalo, N. Y.	7,906,885	3,668,332	4,697,753	9,253,851	[illegible]

(a)—Components may not add to totals due to rounding. (b)—Loans secured by farmland (Item 1c, Schedule A of the June 30, 1970 call report except that loan investments in Farmers Home Administration notes are excluded). (c)—Loans to farmers except those secured by farmland (Item 4, Schedule A of the June 30, 1970 call report). Footnotes to Farmers Home Administration notes, professional area for Stock National Bank of Boston, Imperial Bank, Wash.

FIRST NATIONAL BANK OF GREELEY - STATE OF COLORADO
LOAN PORTFOLIO - BY CATEGORY
(Year End)

	1966		1967		1968		1969	
	FNBG	State (000)	FNBG	State (000)	FNBG	State (000)	FNBG	State (000)
Farm	8,099	260,462	8,750	275,633	10,225	294,393	10,083	308,907
% Farm	36.8	14.0	38.0	13.4	40.5	12.3	36.7%	11.9%
Individual	3,268	503,960	2,657	582,662	3,245	691,940	3,888	736,452
% Individual	14.9	27.2	11.5	28.5	12.9	28.9	14.2%	28.3%
Real Estate, 1-4 family		------	------	------	------	------	981	241,883
% 1-4 Family	------	------	------	------	------	------	3.6%	9.3%
Total Loans & Disc.	21,981	1,854,756	23,016	2,047,370	25,215	2,390,435	27,463	2,599,273

SOURCES: Bank Operating Statistics (FDIC) 1966-1969. Call Reports, First National Bank of Greeley, year end, 1966-1969.

COMMERCIAL BANK PORTION OF DISPLAY */ ADVERTISING IN
DENVER NEWSPAPERS OF GENERAL CIRCULATION
1961 - 1969

Year	Retail	General	Automotive	S & L	Commercial Banks	Total	Commercial Bank Percentage
1961	33,423,985	5,811,298	3,020,565	1,143,264	422,617	43,821,729	0.9%
1962	35,664,342	5,444,281	3,075,012	1,076,659	413,348	45,673,642	0.9%
1963	37,727,543	5,090,160	3,346,552	1,224,888	444,396	47,833,539	0.9%
1964	39,998,894	5,148,987	3,721,999	1,424,848	437,654	50,732,382	0.9%
1965	43,256,582	4,911,288	3,936,824	1,334,551	640,184	54,079,429	1.2%
1966	47,806,822	5,665,063	4,341,029	1,718,725	712,486	60,244,125	1.2%
1967	50,876,545	5,539,079	4,054,298	1,505,064	923,796	62,898,782	1.5%
1968	50,895,646	5,557,164	3,621,243	1,491,155	644,703	62,209,911	1.0%
1969	50,843,433	5,865,556	3,479,606	1,609,539	686,309	62,484,443	1.1%

*/ Eliminating classified, legal and office advertising.

SOURCE: Media Records, 1961 - 1969

LOCAL TELEVISION ADVERTISING
DENVER STATIONS

Year	Total Sales	Total Commercial Banking	Commercial Banking Percentage
1968	$ 15,344,680.00	$ 241,749.00	1.58
1969	$ 14,906,840.00	$ 189,842.72	1.27

SOURCE: Broadcast Advertisers Reports, Inc., Denver market profile, 300 Fifth Avenue, New York, New York.

THE FIRST NATIONAL BANK OF DENVER - ADVERTISING BUDGETS IN DOLLARS AND AS A PORPORTION OF TOTAL OPERATING REVENUES

Category	1965	1966	1967	1968	1969
Newspaper, Daily	$45,623.05	$55,101.98	$67,908.39	$49,059.90	63,060.52
Newspaper, Weekly	3,790.70	4,316.00	8,014.24	3,094.66	4,991.00
Newspaper, Misc.	761.50	415.00	1,483.55	2,700.61	3,548.63
Magazine, Consumer	3,819.00	5,409.00	5,083.35	5,904.34	8,369.86
Magazine, Trade	4,605.00	5,160.00	6,716.35	6,004.83	5,918.00
Television	44,365.00	47,866.00	63,494.00	82,622.23	158,842.72
Radio	11,877.60	9,966.45	16,528.00	27,652.38	43,699.48
Outdoor	20,591.20	11,346.00	15,270.75	17,250.00	31,650.00
Transit	---	---	---	---	---
Directories	5,824.90	7,027.00	7,955.87	6,906.58	9,152.24
Direct Mail	1,844.55	1,560.40	1,569.10	418.94	5,972.18
* Total Non-Media	33,104.70	74,794.47	91,405.37	90,746.09	171,159.45
Total Expenditures	176,207.20	222,962.30	285,418.97	292,360.56	506,364.08
Total Operating Revenue	20,597,884.72	24,662,169.89	27,395,705.75	33,662,583.10	41,203,043.30
Advertising Portion of Total	0.86	0.90	1.04	0.87	1.23

*Non-media expenditures include those for production and printing, advertising specialties, Bank and Trust Department annual reports, lobby displays and signs, photos, special promotions, advertising agency fees and annual membership fees of Foundation for Full Service Banks.

DX 13

AMERICAN BANKER
December 18, 1970

How Bankers' Balances Compare
By Federal Reserve Districts, End of Third Quarter, 1970 vs. 1969

Federal Reserve District	Due to Banks In Millions 1970	1969	Number of Banks 1970	1969
1	$ 809	$ 705	67	59
2	13,595	9,760	77	76
3	812	758	19	20
4	745	689	28	26
5	759	774	42	40
6	1,604	1,584	74	75
7	2,942	2,646	88	89
8	993	1,047	33	33
9	503	507	32	31
10	1,078	1,075	50	47
11	1,942	1,690	120	119
12	1,435	1,328	49	46
	$27,217	$22,563	679	661

* Banks reporting correspondent bank balances of $500,000 or more to American Banker, excluding deposits in overseas branches.

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AMERICAN BANKER
December 18, 1970

Largest Bankers' Banks

*Ranked by Size of Correspondent Balances**
(With Percentages to Total Deposits Sept. 30, 1970)

Compiled by American Banker

Rank 9/30/70		Deposits "Due to Banks" 9/30/70 (in $1,000)	% of Total Deposits	Rank 9/30-10/1 1969	Gain
1	Manufacturers Hanover Tr. Co., New York	2,756,463	29.5	2	+ 1
2	Chase Manhattan Bank NA, New York	2,610,076	18.8	1	
3	Morgan Guaranty Trust Co., New York	2,054,203	33.0	4	+ 1
4	First National City Bank, New York	1,615,570	13.8	3	
5	Chemical Bank, New York	1,436,126	19.7	6	+ 1
6	Irving Trust Co., New York	938,414	28.3	5	
7	Continental Illinois NB&T Co., Chicago	830,140	17.4	7	
8	Bankers Trust Co., New York	801,201	14.8	8	
9	Marine Midland Bank—New York	646,840	29.5	10	+ 1
10	First National Bank, Chicago	326,938	7.7	9	
11	Republic National Bank, Dallas	283,767	19.8	16	+ 5
12	Harris Trust & Savings Bank, Chicago	263,597¶	16.3	25	+13
13	Bank of America NT&SA, San Francisco	255,873	1.4	13	
14	United California Bank, Los Angeles	250,186	6.7	24	+10
15	First National Bank, Boston	247,759	9.8	12	
16	First Pa. Bnkg. & Trust Co., Philadelphia	233,341	11.9	17	+ 1
17	Philadelphia National Bank	229,516	13.9	15	
18	First National Bank, Dallas	220,519	17.4	14	
19	National Bank of Detroit	198,820	6.0	18	
20	Mellon Nat'l Bank & Trust Co., Pittsburgh	177,078	4.7	26	+ 6
21	First City National Bank, Houston	171,162	16.7	27	+ 6
22	Northern Trust Co., Chicago	166,689	12.4	22	

*—All figures exclude deposits in overseas branches unless otherwise noted.
¶—Includes foreign branch. ‡—Includes subsidiaries.

Compiled by American Banker

Rank 9/30/70		Deposits "Due to Banks" 9/30/70 (in $1,000)	% of Total De-posits	Rank 9/30-10/1 1969	Gain
23	First National Bank, St. Louis	166,479	22.3	21	
24	New England Merchants NB, Boston	164,741	22.6	48	+24
25	First Wisconsin National Bank, Milwaukee	161,286	15.7	11	
26	Bank of New York	158,152	12.8	20	
27	Mercantile Trust Co. NA, St. Louis	153,634	17.3	23	
28	Texas Commerce Bank NA, Houston				
29	Northwestern National Bank, Minneapolis	141,363	16.3	42	+14
		141,035	17.5	28	
30	Bank of California NA, San Francisco	130,791	8.6	38	+ 8
31	Girard Trust Bank, Philadelphia	124,903	9.3	29	
32	National Shawmut Bank, Boston	120,935	15.5	31	
33	First National Bank, Miami	118,945	17.7	36	+ 3
34	First National Bank, Minneapolis	118,373	15.9	30	
35	National City Bank, Cleveland	114,732	9.6	33	
36	Wachovia B&T Co. NA, Winston-Salem	113,273	8.1	41	+ 5
37	Citizens & Southern NB of Ga., Savannah	109,083‡	8.3	44	+ 7
38	National Stock Yards NB, Ill.	107,819	86.8	34	
39	Commerce Bank, Kansas City, Mo.	107,428	23.3	32	
40	Crocker-Citizens NB, San Francisco	104,701	2.6	19	
41	Bank of the Southwest NA, Houston	103,080	16.8	49	+ 8
42	Citizens Fidelity B&T Co., Louisville, Ky.	98,212	21.3	37	
43	Indiana National Bank, Indianapolis	95,254	11.6	64	+21
44	North Carolina National Bank, Charlotte	92,370	8.3	45	+ 1
45	Security Pacific National Bank, Los Angeles	92,019	1.5	39	
46	Wells Fargo Bank, NA, San Francisco	89,894	1.9	35	
47	Fidelity Bank, Rosemont, Pa.	88,529	7.9	62	+15
48	First National Bank, Kansas City, Mo.	88,483	27.5	40	
49	First National Bank, Atlanta, Ga.	85,022	11.8	46	
50	First National Bank, Memphis, Tenn.	84,974	13.4	47	

*—All figures exclude deposits in overseas branches unless otherwise noted.
¶—Includes foreign branch. ‡—Includes subsidiaries.

Compiled by American Banker

Rank 9/30/70		Deposits "Due to Banks" 9/30/70 (in $1,000)	% of Total De-posits	Rank 9/30-10/1 1969	Gain
51	First National Bank of Md., Baltimore	82,364	12.5	43	
52	Fulton National Bank, Atlanta, Ga.	81,244	22.3	61	+ 9
53	First National Bank, Cincinnati	80,803	13.5	51	
54	Seattle-First National Bank	77,088	4.2	69	+15
55	American Fletcher NB&T Co., Indianapolis	75,939	9.3	52	
56	First National Bank, St. Paul, Minn.	74,718	11.5	60	+ 4
57	Omaha National Bank, Neb.	70,352	20.8	54	
58	Mercantile National Bank, Dallas	70,223	12.6	65	+ 7
59	Union Bank, Los Angeles	69,981	4.3	70	+11
60	State Street Bank & Trust Co., Boston	69,893	8.4	79	+19
61	Central Nat'l B&T Co., Des Moines, Iowa	69,432	35.4	67	+ 6
62	Third National Bank, Nashville, Tenn.	68,810	14.7	59	
63	Union Planters Nat'l Bank, Memphis, Tenn.	68,628	11.1	53	
64	Central National Bank, Cleveland	68,452	7.0	77	+13
65	American Nat'l Bank & Trust Co., Chicago	68,303	10.2	66	+ 1
66	Franklin National Bank, Mineola, N.Y.	67,766	3.3	57	
67	First American NB, Nashville, Tenn.	66,948	12.0	72	+ 5
68	Iowa-Des Moines National Bank	65,964	24.6	58	
69	Provident National Bank, Philadelphia	64,650	7.8	82	+13
70	Liberty Nat'l B&T Co., Oklahoma City	64,385	16.1	73	+ 3
71	City National B&T Co., Kansas City, Mo.	62,217	20.7	50	
72	Nat'l Bank of Commerce, New Orleans, La.	60,533	15.8	80	+ 8
73	First National Bank, Fort Worth, Texas	59,075	16.1	74	+ 1
74	Fort Worth National Bank, Texas	57,686	14.4	68	
75	Pittsburgh National Bank	56,049	3.9	83	+ 8

*—All figures exclude deposits in overseas branches unless otherwise noted. †—Includes foreign branch. ‡—Includes subsidiaries.

Compiled by American Banker

Rank 9/30/70		Deposits "Due to Banks" 9/30/70 (in $1,000)	% of Total Deposits	Rank 9/30-10/1 1969	Gain
76	Brown Bros. Harriman & Co., New York	55,169	18.1	56	
77	First National B&T Co., Oklahoma City	55,126	16.3	55	
78	Florida National Bank, Jacksonville	53,712	22.4	63	
79	First National Bank, Denver	53,033	10.2	91	+12
80	Hamilton Nat'l Bank, Chattanooga, Tenn.	52,958	20.4	84	+ 4
81	First National Bank, Louisville, Ky.	51,788	12.4	88	+ 7
82	Whitney National Bank, New Orleans, La.	51,700	9.0	78	
83	Atlantic National Bank, Jacksonville, Fla.	51,345	29.2	100	+17
84	Detroit Bank & Trust Co.	51,098	2.8	71	
85	Frost National Bank, San Antonio, Texas	50,503	14.8	107	+22
86	Marshall & Ilsley Bank, Milwaukee, Wis.	49,970	11.9	85	
87	Marine Midland Bank—Western, Buffalo, N.Y.	48,861	3.7	76	
88	First National Bank, Birmingham, Ala.	48,466	8.7	87	
89	Deposit Guaranty Nat'l Bank, Jackson, Miss.	48,187	12.4	94	+ 5
90	Texas Bank & Trust Co. Dallas	47,426	19.6	81	
91	La Salle National Bank, Chicago	44,216	11.0	105	+14
92	National Bank of Commerce, Dallas	43,826	24.2	98	+ 6
93	United Virginia Bk./St. Planters, Richmond	43,737	10.2	89	
94	First Western B&T Co., Los Angeles	42,284	4.9	117	+23
95	Trust Co. of Georgia, Atlanta	42,106‡	5.4	95	
96	Marquette National Bank, Minneapolis	41,877	24.2	96	
97	First National Bank, Tampa, Fla.	41,675	19.9	93	
98	Merchants National Bk., Cedar Rapids, Iowa	41,623	27.0	97	
99	Cleveland Trust Co.	41,493	1.9	102	+ 3
100	National Bank of North America, N.Y.	40,266	2.5	111	+11

*—All figures exclude deposits in overseas branches unless otherwise noted. ¶—Includes foreign branch. ‡—Includes subsidiaries.

Compiled by American Banker

Rank 9/30/70		Deposits "Due to Banks" 9/30/70 (in $1,000)	% of Total De-posits	Rank 9/30-10/1 1969	Chg
101	First & Merchants Nat'l Bank, Richmond, Va.	40,343	5.5	99	
102	Hibernia Nat'l Bank, New Orleans, La.	39,990	13.2	90	
103	Florida Nat'l Bank & Trust Co., Miami	39,668	24.6	75	
104	United Bank of Denver NA	39,643	9.3	119	+15
105	Continental Nat'l Bank, Fort Worth, Tex.	39,639	22.4	101	
106	Manufacturers National Bank, Detroit	39,514	2.3	104	
107	American Bk. & Tr. Co., Baton Rouge, La.	38,975	18.4	118	+11
108	First Union Nat'l Bank, Charlotte, N. C.	38,746	4.3	148	+40
109	Marine Nat'l Exchange Bank, Milwaukee	38,614	14.4	106	
110	Fifth Third Bank, Cincinnati, Ohio	38,304	8.6	103	
111	American NB&T Co., St. Paul, Minn.	37,937	23.4	93	
112	First National Bank, Orlando, Fla.	37,842	20.3	114	+ 2
113	Connecticut Bank & Trust Co., Hartford	36,892	3.8	130	+17
114	Exchange National Bank, Tampa, Fla.	36,626	19.5	108	
115	New Jersey Bank NA, Clifton	36,420	7.8	115	
116	First Nat'l Bank & Trust Co., Tulsa, Okla.	35,462	10.0	122	+ 6
117	Riggs National Bank, Washington, D. C.	35,402	4.2	86	
118	Bank of St. Louis, Mo.	35,022	21.8	109	
119	Fidelity Bank NA, Oklahoma City	34,856	22.2	134	+15
120	Central National Bank, Chicago	34,501	8.4	133	+13
121	Huntington Nat'l Bank, Columbus, Ohio	34,237	7.0	124	+ 3
122	Central Bank & Trust Co., Denver	33,653	15.3	128	+ 6
123	First National Bank, Fort Lauderdale, Fla.	33,409	21.9	112	
124	National Bank of Commerce, Seattle	33,066	3.1	116	
125	Bank of New Orleans & Trust Co., La.	32,057	19.0	135	+10

*—All figures exclude deposits in overseas branches unless otherwise noted.
¶—Includes foreign branch. ‡—Includes subsidiaries.

Compiled by American Banker

Rank 9/30/70		Deposits "Due to Banks" 9/30/70 (in $1,000)	% of Total De-posits	Rank 9/30-10/1 1969	Gain
126	First National B&T Co., Lincoln, Neb.	31,885	17.0	126	
127	Southern National Bank, Houston	31,756	27.1	139	+12
128	First National Bank of Oregon, Portland	31,682	1.9	131	+ 3
129	Hambro American B&T Co., New York	31,352	42.5	—	
130	Continental Bank, Houston	31,221	31.3	125	
131	Nat'l Bk. of Commerce, San Antonio, Tex.	30,830	12.7	146	+15
132	Maryland National Bank, Baltimore	30,278	3.0	136	+ 4
133	First-Citizens B&T Co., Smithfield, N. C.	30,274	4.8	110	
134	First National Bank, Omaha, Neb.	29,968	18.0	140	+ 6
135	Fourth Nat'l B&T Co., Wichita, Kans.	29,816	11.9	155	+20
136	Worthen Bk. & Tr. Co., Little Rock, Ark.	29,787	15.8	138	+ 2
137	National Bk. of Commerce, Memphis, Tenn.	29,627	13.7	129	
138	First National Bank, Jackson, Miss.	28,632	8.9	113	
139	Hartford National Bank & Trust Co., Conn.	28,630	3.3	141	+ 2
140	First National Bank, Wichita, Kans.	27,934	21.5	152	+12
141	Equitable Trust Co., Baltimore, Md.	27,496	4.8	149	+ 8
142	Boatmen's National Bank, St. Louis	27,414	10.0	147	+ 5
143	National Bk. of Commerce, Lincoln, Neb.	27,414	21.4	123	
144	American NB&T Co., Chattanooga, Tenn.	27,328	12.2	150	+ 6
145	National Bank of Tulsa, Okla.	27,018	8.5	132	
146	First National State Bank, Newark, N. J.	26,187	3.8	174	+28
147	Nat'l Newark & Essex Bk., Newark, N. J.	25,408	4.1	166	+19
148	Bank of Virginia, Richmond	24,788	7.0	154	+ 6
149	Charleston National Bank, W. Va.	24,238	16.8	186	+37
150	Alamo National Bank, San Antonio, Tex.	23,737	15.8	143	

*—All figures exclude deposits in overseas branches unless otherwise noted. ¶—Includes foreign branch. ‡—Includes subsidiaries.

Compiled by American Banker

Rank 9/30/70		Deposits "Due to Banks" 9/30/70 (in $1,000)	% of Total Deposits	Rank 9/30-10/1 1969	Gain
151	Capital National Bank, Austin, Tex.	23,378	13.9	160	+ 9
152	Central Bk. & Tr. Co., Birmingham, Ala.	23,365	21.7	175	+23
153	United States National Bank, Omaha, Neb.	23,359	14.7	137	
154	Schroder Trust Co., New York	23,159	23.0	223	+69
155	Louisville Trust Co., Ky.	23,097	18.1	159	+ 4
156	Capital National Bank, Houston	23,033	19.9	205	+49
157	First Security Bank of Utah NA, Ogden	22,733	4.7	207	+50
158	First National Bank, Little Rock, Ark.	22,622	18.6	158	
159	Central Trust Co., Cincinnati	22,569	4.8	162	+ 3
160	Houston National Bank	22,251	9.0	145	
161	American Security & Tr. Co., Wash., D. C.	22,223	3.3	121	
162	Commercial Nat'l Bank, Kansas City, Kans.	21,858	22.6	167	+ 5
163	Barnett First Nat'l Bk., Jacksonville, Fla.	21,734	11.8	170	+ 7
164	Union Commerce Bank, Cleveland	21,405	4.1	165	+ 1
165	Colorado National Bank, Denver	21,308	8.2	151	
166	American National Bank, Denver	21,125	17.1	164	
167	First National Bank, Amarillo, Tex.	20,772	15.9	184	+17
168	Merchants Nat'l B&T Co., Indianapolis	20,597	5.4	178	+10
169	United States Nat'l Bk. of Oregon, Portland	20,387	1.4	180	+11
170	Amarillo National Bank, Tex.	19,788	17.4	191	+21
171	Union Trust Co. of Maryland, Baltimore	19,548	4.4	144	
172	Citizens National Bank, Lubbock, Tex.	19,437	21.3	153	
173	Birmingham Trust National Bank, Ala.	19,270	6.3	183	+10
174	Virginia Naitonal Bank, Norfolk	19,046	2.2	193	+19
175	Guaranty Bank & Trust Co., Alexandria, La.	19,040	23.5	127	
176	Security National Bank, Kansas City, Kans.	18,836	22.9	169	

*—All figures exclude deposits in overseas branches unless otherwise noted.
¶—Includes foreign branch. ‡—Includes subsidiaries.

Compiled by American Banker

Rank 9/30/70		Deposits "Due to Banks" 9/30/70 (in $1,000)	% of Total De-posits	Rank 9/30-10/1 1969	Gain
177	Banco Credito y Ahorro Ponceno, Ponce, P.R.	18,733	4.4	161	
178	Marine Bank & Trust Co., Tampa, Fla.	18,658	18.5	200	+22
179	First National Exchange Bank, Roanoke, Va.	18,581	4.4	163	
180	National American Bank, New Orleans, La.	18,324	10.5	142	
181	Valley National Bank, Phoenix, Ariz.	18,067	1.2	217	+36
182	Toledo Trust Co., Ohio	17,780	4.5	156	
183	El Paso National Bank, Texas	17,743	10.9	188	+ 5
184	Hamilton National Bank, Knoxville, Tenn.	17,416	8.1	192	+ 8
185	Security National Bank, Sioux City, Iowa	17,151	21.2	195	+10
186	First National Bank, Montgomery, Ala.	17,138	9.5	177	
187	Pacific Nat'l. Bank of Washington, Seattle	16,992	2.8	.....	
188	Central-Penn Nat'l Bank, Bala Cynwyn, Pa.	16,651	3.9	157	
189	Hongkong & Shanghai Bkg. Cp., San Fran.	16,576	22.5	.....	
190	National Boulevard Bank, Chicago	16,416	7.7	226	+36
191	Society National Bank, Cleveland	15,990	2.2	173	
192	Austin National Bank, Texas	15,989	7.9	181	
193	American National Bank, Austin, Texas	15,534	11.2	202	+ 9
194	Park National Bank, Knoxville, Tenn.	15,074	9.8	182	
195	Houston Bank & Trust Co.	15,047	13.7	.....	
196	Beverly Bank, Chicago	15,042	11.5	206	+10
197	Commercial Nat'l Bank, Little Rock, Ark.	14,860	20.6	189	
198	Continental B&T Co., Salt Lake City, Utah	14,606	13.8	185	
199	Nat'l Commercial B&T Co., Albany, N.Y.	14,495	2.0	232	+33
200	Midland Nat'l Bank, Minneapolis, Minn.	14,478	14.6	199	

*—All figures exclude deposits in overseas branches unless otherwise noted. —Includes foreign branch. ‡—Includes subsidiaries.

Compiled by American Banker

Bank 9/30/70		Deposits "Due to Banks" 9/30/70 (in $1,000)	% of Total Deposits	Rank 9/30-10/1 1969	Gain
201	Bank of the Commonwealth, Detroit	14,264	1.4	120	
202	First National Bank, Wilkes-Barre, Pa.	14,110	9.5	194	
203	Western Pa. National Bank, Pittsburgh	13,706	1.8	210	+ 7
204	Columbia Un. NB&T Co., Kansas City, Mo.	13,470	16.2	—	
205	Main Bank of Houston	12,993	24.5	176	
206	Fidelity Union Trust Co., Newark, N.J.	12,770	2.1	179	
207	Commercial National Bank, Peoria, Ill.	12,744	7.0	203	
208	County Trust Co., White Plains, N.Y.	12,626	1.4	—	
209	State National Bank, El Paso, Texas	12,557	8.2	209	
210	Commercial National Bank, Shreveport, La.	12,205	6.7	228	+18
211	First National Bank, Lubbock, Texas	12,079	9.7	198	
212	Fourth National Bank, Tulsa, Okla.	11,971	16.7	212	
213	Bank of Hawaii, Honolulu	11,879	2.0	—	
214	American National Bank, St. Joseph, Mo.	11,793	13.8	201	
215	Drovers National Bank, Chicago	11,482	6.5	229	+14
216	Commerce Union Bank, Nashville, Tenn.	11,435	3.5	—	
217	First National Bank, Topeka, Kans.	11,299	7.9	208	
218	Branch Banking & Trust Co., Wilson, N.C.	11,269	5.2	214	
219	City National Bank, Miami	11,250	8.4	187	
220	Corpus Christi Bank & Trust Co., Texas	11,189	13.3	—	
221	First National Bank, Albuquerque, N.M.	11,144	5.7	—	
222	First Wichita Nat'l Bk., Wichita Falls, Texas	11,122	7.8	222	
223	Michigan Bank NA, Detroit	11,027	1.7	196	
224	South Carolina Nat'l Bank, Charleston, S.C.	10,976	2.2	233	+ 9
225	Union National Bank, Little Rock, Ark.	10,803	12.4	172	

*—All figures exclude deposits in overseas branches unless otherwise noted.
¶—Includes foreign branch. ‡—Includes subsidiaries.

Compiled by American Banker

Rank 9/30/70		Deposits "Due to Banks" 9/30/70 (in $1,000)	% of Total Deposits	Rank 9/30-10/1 1969	Gain
226	Wilmington Trust Co., Del.	10,708	2.8	225	
227	Peoples Nat'l Bank of Washington, Seattle	10,489	2.7	215	
228	First National Bank, Waco, Texas	10,451	9.9	—	
229	First Jersey Nat'l Bank, Jersey City, N.J.	10,239	2.3	—	
230	First National Bank, Sioux City, Iowa	10,057	13.7	235	+ 5

*—All figures exclude deposits in overseas branches unless otherwise noted. ¶—Includes foreign branch. ‡—Includes subsidiaries.

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Correspondent Bank Deposits with Colorado Banks (September 30, 1970)

Rank in Nation		Deposits Due to Banks in $1,000	% of Total Deposits
79	First National Bank of Denver	53,033	10.2
104	United Bank of Denver, NA	39,643	9.3
122	Central Bank & Trust Co.	33,653	15.3
165	Colorado National Bank	21,308	8.2
166	American National Bank	21,125	17.1

Source: "Largest Bankers' Banks", *American Banker*, Dec. 18, 1970.

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Correspondent Bank Relationships of Colorado Banks

Arizona	14	Nevada	3
California	85	New Mexico	9
Colorado *	572	New York	199
Georgia	2	North Carolina	1
Idaho	1	Oklahoma	7
Illinois	74	Oregon	3
Iowa	2	Pennsylvania	5
Kansas	9	Tennessee	1
Louisiana	1	Texas	52
Maryland	1	Utah	11
Massachusetts	5	Washington (state)	3
Michigan	4	Wyoming	6
Minnesota	5	Washington, D.C.	1
Missouri	109	Foreign	10
Nebraska	40		
		TOTAL	1,234

* Denver 415.

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TABLE

Number of Colorado Communities with Commercial Banks and Holding Company Activity in Them

Number of Communities with no Holding Company Bank	107
Number of Communities Served by Holding Companies which are not Substantial Offerors of Correspondent Services	7
Number of Communities Served by One or More of the Major Denver Bank Holding Companies	13
TOTAL	127

Assuming only Denver Banks can Offer Correspondent Services to Colorado Country Banks and Assuming Further that Country Banks Would Be Unwilling to Correspond with a Competitor, Colorado Cities with Commercial Banks and Available Offerors of Correspondent Banking Services to Independent Banks

City—1970 Population and Name of Bank	Deposits as of 12/31/70 (000)	Holding Company Controlling Bank	Available Offerors Of Correspondent Banking Services [1]
Akron—1,775			FNBD
Citizens National Bank	8,192		United
			CNBD
			American
			CB&T
			Security
Alamosa—6,985			FNBD
Alamosa National Bank	8,209		United
First National Bank	6,469		CNBD
			American
			CB&T
			Security
Arvada—46,814			FNBD
Arvada State Bank	10,102		United
First National Bank	11,540		CNBD
			American
			CB&T
			Security
Aspen—2,404			FNBD
Bank of Aspen	12,821		United
First National Bank	3,175		CNBD
			American
			CB&T
			Security
Ault—841			
Farmers National Bank	6,221	ABC	
			FNBD
			United
			CNBD
			American
			CB&T
			Security

[1] Banks available to provide correspondent banking services to present or future independent banks in the specified city (see list at end of table).

Assuming *only* Denver Banks can Offer Correspondent Services to Colorado Country Banks and Assuming Further that Country Banks Would Be Unwilling to Correspond with a Competitor, Colorado Cities with Commercial Banks and Available Offerors of Correspondent Banking Services to Independent Banks

City—1970 Population and Name of Bank	Deposits as of 12/31/70 (000)	Holding Company Controlling Bank	Available Offerors Of Correspondent Banking Services [1]
Aurora—74,974			
United Bank of Aurora	14,606	United	
Aurora National Bank	16,885		FNBD
Peoples Bank & Trust	23,916		CNBD
			American
			CB&T
			Security
Berthoud—1,446			FNBD
Berthoud National Bank	4,336		United
			CNBD
			American
			CB&T
			Security
Boulder—66,870			
Arapahoe National Bank	6,958	ABC	
First National Bank	68,309	ABC	
United Bank	25,549	United	
Boulder National Bank	12,172		FNBD
National State Bank	32,342		CNBD
Security Bank	3,640		American
			CB&T
			Security
Brighton—8,309			FNBD
First Bank & Trust	14,861		United
			CNBD
			American
			CB&T
			Security
Broomfield—7,261			FNBD
Broomfield	6,578		United
			CNBD
			American
			CB&T
			Security

[1] Banks available to provide correspondent banking services to present or future independent banks in the specified city (see list at end of table).

Assuming *only* Denver Banks can Offer Correspondent Services to Colorado Country Banks and Assuming Further that Country Banks Would Be Unwilling to Correspond with a Competitor, Colorado Cities with Commercial Banks and Available Offerors of Correspondent Banking Services to Independent Banks

City—1970 Population and Name of Bank	Deposits as of 12/31/70 (000)	Holding Company Controlling Bank	Available Offerors Of Correspondent Banking Services [1]
Brush—3,377			FNBD
Farmers State Bank	8,029		United
First National Bank	7,158		CNBD
			American
			CB&T
			Security
Buena Vista—1,962			FNBD
Buena Vista Bank & Trust	2,624		United
			CNBD
			American
			CB&T
			Security
Burlington—2,828			FNBD
Bank of Burlington	6,269		United
First National Bank	4,911		CNBD
			American
			CB&T
			Security
Byers—NR			FNBD
Byers State Bank	2,277		United
			CNBD
			American
			CB&T
			Security
Calhan—465			FNBD
Farmers State Bank	5,302		United
			CNBD
			American
			CB&T
			Security
Canon City—9,206			FNBD
First National Bank	15,836		United
Fremont National Bank	10,629		CNBD
			American
			CB&T
			Security

[1] Banks available to provide correspondent banking services to present or future independent banks in the specified city (see list at end of table).

Assuming *only* Denver Banks can Offer Correspondent Services to Colorado Country Banks and Assuming Further that Country Banks Would Be Unwilling to Correspond with a Competitor, Colorado Cities with Commercial Banks and Available Offerors of Correspondent Banking Services to Independent Banks:

City—1970 Population and Name of Bank	Deposits as of 12/31/70 (000)	Holding Company Controlling Bank	Available Offerors Of Correspondent Banking Services [1]
Castle Rock—1,531			FNBD
Bank of Douglas Co.	6,601		United
			CNBD
			American
			CB&T
			Security
Cedaredge—581			FNBD
First National Bank	2,462		United
			CNBD
			American
			CB&T
			Security
Center—1,470			FNBD
First National Bank	6,226		United
			CNBD
			American
			CB&T
			Security
Cheyenne Wells—982			FNBD
Eastern Colorado Bank	4,965		United
			CNBD
			American
			CB&T
			Security
Colorado Springs—135,060			
Colorado Springs National Bank	42,413	(United)	
Exchange National Bank	61,883		
First National Bank	104,210	ABC	
Academy Boulevard Bank	7,818	Central Colo.	FNBD
Central Colorado Bank	30,545	Central Colo.	CNBD
Air Academy National Bank	8,548		American
American Heritage Bank & Trust	14,254		CB&T
Bank of Colorado	2,082		Security
Colorado Commercial Bank	16,267		
E. Colorado Springs National Bank	8,810		
Northern National Bank	6,815		
Pikes Peak National	8,159		
Western National Bank	7,018		
Citadel Bank (new)			

[1] Banks available to provide correspondent banking services to present or future independent banks in the specified city (see list at end of table).

Assuming *only* Denver Banks can Offer Correspondent Services to Colorado Country Banks and Assuming Further that Country Banks Would Be Unwilling to Correspond with a Competitor, Colorado Cities with Commercial Banks and Available Offerors of Correspondent Banking Services to Independent Banks

City—1970 Population and Name of Bank	Deposits as of 12/31/70 (000)	Holding Company Controlling Bank	Available Offerors Of Correspondent Banking Services [1]
Commerce City—17,407			FNBD
Metro State Bank	6,685		United
			CNBD
			American
			CB&T
			Security
Cortez—6,032			FNBD
Citizens State Bank	7,325		United
First National Bank	11,169		CNBD
			American
			CB&T
			Security
Craig—4,205			FNBD
Moffat Co. State Bank	13,645		United
			CNBD
			American
			CB&T
			Security
Cripple Creek—425			FNBD
First National Bank	844		United
			CNBD
			American
			CB&T
			Security
Del Norte—1,569			FNBD
Rio Grande Co. Bank	2,362		United
			CNBD
			American
			CB&T
			Security
Delta—3,694			FNBD
Colorado Bank & Trust Co.	12,127		United
National Bank of Delta	4,289		CNBD
			American
			CB&T
			Security

[1] Banks available to provide correspondent banking services to present or future independent banks in the specified city (see list at end of table).

Assuming *only* Denver Banks can Offer Correspondent Services to Colorado Country Banks and Assuming Further that Country Banks Would Be Unwilling to Correspond with a Competitor, Colorado Cities with Commercial Banks and Available Offerors of Correspondent Banking Services to Independent Banks

City—1970 Population and Name of Bank	Deposits as of 12/31/70 (000)	Holding Company Controlling Bank	Available Offerors Of Correspondent Banking Services[1]
Denver—514,678			
American National Bank	130,872	Western	[2]
Colorado National Bank	282,436	Colo. CNB	
First National Bank Bear Valley	12,480	FNBanc.	
First National Bank	560,381	FNBanc.	
NE Colorado National Bank	10,829	Colo. CNB	
So. Colorado National Bank	5,545	Colo. CNB	
United Bank of Denver	485,442	United	
Villa National	7,568	United	
Security National Bank	29,747	First Colo.	
University National Bank	27,434	First Colo.	
Alameda National Bank	13,376		
Bank of Denver	25,037		
Boulevard National Bank	12,041		
Center State Bank	7,228		
Central Bank & Trust	236,938		
Cherry Creek National	26,579		
Colfax National Bank	7,291		
Colorado State Bank	41,515		
Columbine State Bank	2,154		
Guaranty Bank & Trust	29,124		
Guaranty Bank of Stapleton	3,296		
Metro National Bank	10,344		
Mid-States Bank	804		
Montbello State Bank	2,360		
Mountain States Bank	22,267		
National City Bank	29,613		
North Denver Bank	27,077		
So. Denver National Bank	9,783		
Southwest State Bank	15,117		
Union National Bank	28,955		
West National Bank	7,071		
Delores—820			FNBD
Delores State Bank	4,956		United
			CNBD
			American
			CB&T
			Security

[1] Banks available to provide correspondent banking services to present or future independent banks in the specified city (see list at end of table).

[2] All Denver banks not offerors of correspondent banking services covered by one or more of the Denver based offerors.

Assuming only Denver Banks can Offer Correspondent Services to Colorado Country Banks and Assuming Further that Country Banks Would Be Unwilling to Correspond with a Competitor, Colorado Cities with Commercial Banks and Available Offerors of Correspondent Banking Services to Independent Banks

City—1970 Population and Name of Bank	Deposits as of 12/31/70 ($000)	Holding Company Controlling Bank	Available Offerors Of Correspondent Banking Services [1]
Dove Creek—619			FNBD
Dove Creek State Bank	2,232		United
			CNBD
			American
			CB&T
			Security
Durango—10,233			FNBD
Bank of Durango	6,509		United
Burns National Bank	11,226		CNBD
First National Bank	12,656		American
			CB&T
			Security
Eads—795			FNBD
First National Bank	4,697		United
			CNBD
			American
			CB&T
			Security
Eagle—790			FNBD
First National Bank	4,895		United
			CNBD
			American
			CB&T
			Security
Eaton—1,389			FNBD
Eaton Bank	5,206		United
			CNBD
			American
			CB&T
			Security
Englewood—33,695			
Continental National Bank	36,271	Western	
First National Bank	64,653	First Colo.	FNBD
Republic National Bank	7,896		United
			CNBD
			CB&T

[1] Banks available to provide correspondent banking services to present or future independent banks in the specified city (see list at end of table).

Assuming *only* Denver Banks can Offer Correspondent Services to Colorado Country Banks and Assuming Further that Country Banks Would Be Unwilling to Correspond with a Competitor, Colorado Cities with Commercial Banks and Available Offerors of Correspondent Banking Services to Independent Banks,

City—1970 Population and Name of Bank	Deposits as of 12/31/70 (000)	Holding Company Controlling Bank	Available Offerors Of Correspondent Banking Services[1]
Erie—1,099			FNBD
Erie Bank	1,203		United
			CNBD
			American
			CB&T
			Security
Estes Park—1,616			FNBD
Estes Park Bank	4,005		United
First National Bank	3,639		CNBD
			American
			CB&T
			Security
Evergreen—2,321			FNBD
First National Bank	8,549		United
			CNBD
			American
			CB&T
			Security
Fairplay—419			FNBD
Bank of Fairplay	1,883		United
			CNBD
			American
			CB&T
			Security
Flagler—615			FNBD
First National Bank	4,830		United
			CNBD
			American
			CB&T
			Security
Fleming—349			FNBD
First National Bank	1,982		United
			CNBD
			American
			CB&T
			Security

[1] Banks available to provide correspondent banking services to present or future independent banks in the specified city (see list at end of table).

Assuming only Denver Banks can Offer Correspondent Services to Colorado Country Banks and Assuming Further that Country Banks Would Be Unwilling to Correspond with a Competitor, Colorado Cities with Commercial Banks and Available Offerors of Correspondent Banking Services to Independent Banks

City—1970 Population and Name of Bank	Deposits as of 12/31/70 (000)	Holding Company Controlling Bank	Available Offerors Of Correspondent Banking Services [1]
Florence—2,846			FNBD
First National Bank	4,386		United
			CNBD
			American
			CB&T
			Security
Fort Carson—19,399			
Fort Carson National Bank	4,892	ABC	
			FNBD
			United
			CNBD
			American
			CB&T
			Security
Fort Collins—43,337			
First National Bank	54,404	Western	
United Bank of Fort Collins	40,189	United	
Univ. National Bank	6,847	(ABC)	
Rocky Mountain Bank & Trust	3,514		FNBD
			CNBD
			CB&T
			Security
Fort Lupton—2,489			FNBD
Fort Lupton State Bank	7,978		United
			CNBD
			American
			CB&T
			Security
Fort Morgan—7,594			FNBD
Farmers State Bank	19,473		United
First National Bank	9,557		CNBD
			American
			CB&T
			Security

[1] Banks available to provide correspondent banking services to present or future independent banks in the specified city (see list at end of table).

Assuming *only* Denver Banks can Offer Correspondent Services to Colorado Country Banks and Assuming Further that Country Banks Would Be Unwilling to Correspond with a Competitor, Colorado Cities with Commercial Banks and Available Offerors of Correspondent Banking Services to Independent Banks

City—1970 Population and Name of Bank	Deposits as of 12/31/70 (000)	Holding Company Controlling Bank	Available Offerors Of Correspondent Banking Services [1]
Fountain—3,515			FNBD
First State Bank	2,099		United
			CNBD
			American
			CB&T
			Security
Fowler—1,241			FNBD
First National Bank	4,086		United
Fowler State Bank	3,277		CNBD
			American
			CB&T
			Security
Frisco—471			FNBD
Summit County Bank	2,418		United
			CNBD
			American
			CB&T
			Security
Fruita—1,822			FNBD
Fruita State Bank	4,380		United
			CNBD
			American
			CB&T
			Security
Glenwood Springs—4,106			
Bank of Glenwood	6,218	Colo. CNB	
First National Bank	26,842		FNBD
			United
			American
			CB&T
			Security
Golden—9,817			FNBD
First National Bank	25,119		United
Golden State Bank	8,920		CNBD
			American
			CB&T
			Security

[1] Banks available to provide correspondent banking services to present or future independent banks in the specified city (see list at end of table).

Assuming *only* Denver Banks can Offer Correspondent Services to Colorado Country Banks and Assuming Further that Country Banks Would Be Unwilling to Correspond with a Competitor, Colorado Cities with Commercial Banks and Available Offerors of Correspondent Banking Services to Independent Banks

City—1970 Population and Name of Bank	Deposits as of 12/31/70 (000)	Holding Company Controlling Bank	Available Offerors Of Correspondent Banking Services [1]
Granada—551			FNBD
American State Bank	2,697		United
			CNBD
			American
			CB&T
			Security
Granby—554			FNBD
Middle Park Bank	4,800		United
			CNBD
			American
			CB&T
			Security
Grand Junction—20,170			
Mesa National Bank	8,279	United	
First National Bank	33,420		FNBD
U.S. Bank of Grand Junction	28,460		CNBD
			American
			CB&T
			Security
Greeley—38,902			
Cache National Bank	7,738	ABC	
First National Bank	40,862	(FNBanc.)	
Greeley National Bank	43,735	ABC	
United Bank of Greeley	27,370	United	
W. Greeley National Bank	3,557	ABC	
State Bank of Greeley	2,120		CNBD
			American
			CB&T
			Security
Gunnison—4,613			FNBD
First National Bank	6,208		United
Gunnison Bank & Trust	5,065		CNBD
			American
			CB&T
			Security

[1] Banks available to provide correspondent banking services to present or future independent banks in the specified city (see list at end of table).

Assuming *only* Denver Banks can Offer Correspondent Services to Colorado Country Banks and Assuming Further that Country Banks Would Be Unwilling to Correspond with a Competitor, Colorado Cities with Commercial Banks and Available Offerors of Correspondent Banking Services to Independent Banks

City—1970 Population and Name of Bank	Deposits as of 12/31/70 (000)	Holding Company Controlling Bank	Available Offerors Of Correspondent Banking Services[1]
Haxtun—899			FNBD
Haxtun Commercial Bank	3,137		United
			CNBD
			American
			CB&T
			Security
Hayden—763			FNBD
Yampa Valley State Bank	1,695		United
			CNBD
			American
			CB&T
			Security
Hereford—NB			FNBD
Hereford State Bank	1,296		United
			CNBD
			American
			CB&T
			Security
Holly—993			FNBD
First Bank & Trust	3,415		United
			CNBD
			American
			CB&T
			Security
Holyoke—1,640			FNBD
First National Bank	6,354		United
Holyoke Bank & Trust	1,199		CNBD
			American
			CB&T
			Security
Hotchkiss—507			FNBD
First State Bank	4,190		United
			CNBD
			American
			CB&T
			Security

[1] Banks available to provide correspondent banking services to present or future independent banks in the specified city (see list at end of table).

Assuming *only* Denver Banks can Offer Correspondent Services to Colorado Country Banks and Assuming Further that Country Banks Would Be Unwilling to Correspond with a Competitor, Colorado Cities with Commercial Banks and Available Offerors of Correspondent Banking Services to Independent Banks

City—1970 Population and Name of Bank	Deposits as of 12/31/70 (000)	Holding Company Controlling Bank	Available Offerors Of Correspondent Banking Services [1]
Hugo—759			FNBD
First National Bank	5,799		United
			CNBD
			American
			CB&T
			Security
Idaho Springs—2,003			FNBD
First State Bank	3,845		United
			CNBD
			American
			CB&T
			Security
Ignacio—613			FNBD
Bank of Ignacio	3,314		United
			CNBD
			American
			CB&T
			Security
Johnstown—1,191			FNBD
First National Bank	3,984		United
			CNBD
			American
			CB&T
			Security
Julesburg—1,578			FNBD
First National Bank	6,377		United
			CNBD
			American
			CB&T
			Security
Keenesburg—427			FNBD
Citizens State Bank	3,456		United
			CNBD
			American
			CB&T
			Security

[1] Banks available to provide correspondent banking services to present or future independent banks in the specified city (see list at end of table).

Assuming *only* Denver Banks can Offer Correspondent Services to Colorado Country Banks and Assuming Further that Country Banks Would Be Unwilling to Correspond with a Competitor, Colorado Cities with Commercial Banks and Available Offerors of Correspondent Banking Services to Independent Banks

City—1970 Population and Name of Bank	Deposits as of 12/31/70 (000)	Holding Company Controlling Bank	Available Offerors Of Correspondent Banking Services [1]
Kiowa—235			FNBD
Kiowa State Bank	6,280		United
			CNBD
			American
			CB&T
			Security
Kirk—NR			FNBD
Kirk State Bank	1,784		United
			CNBD
			American
			CB&T
			Security
Kit Carson—220			FNBD
Kit Carson State Bank	2,418		United
			CNBD
			American
			CB&T
			Security
Kremmling—764			FNBD
Bank of Kremmling	4,166		United
			CNBD
			American
			CB&T
			Security
Lafayette—3,498			
First National Bank	3,904	ABC	
			FNBD
			United
			CNBD
			American
			CB&T
			Security
La Jara—768			FNBD
First National Bank	4,832		United
			CNBD
			American
			CB&T
			Security

[1] Banks available to provide correspondent banking services to present or future independent banks in the specified city (see list at end of table).

Assuming *only* Denver Banks can Offer Correspondent Services to Colorado Country Banks and Assuming Further that Country Banks Would Be Unwilling to Correspond with a Competitor, Colorado Cities with Commercial Banks and Available Offerors of Correspondent Banking Services to Independent Banks

City—1970 Population and Name of Bank	Deposits as of 12/31/70 (000)	Holding Company Controlling Bank	Available Offerors Of Correspondent Banking Services [1]
La Junta—7,938			FNBD
Colorado Bank & Trust	11,800		United
La Junta State Bank	4,579		CNBD
			American
			CB&T
			Security
Lakewood—92,787			
Lakewood Colorado National Bank	10,012	Colo. CNB	
First Westland National Bank	18,706		FNBD
Jefferson County Bank	57,316		United
			American
			CB&T
			Security
Lamar—7,797			FNBD
First National Bank	10,282		United
Valley State Bank	5,286		CNBD
			American
			CB&T
			Security
La Salle—1,227			FNBD
So. Platte National Bank	3,363		United
			CNBD
			American
			CB&T
			Security
Las Animas—3,148			FNBD
First National Bank	5,193		United
			CNBD
			American
			CB&T
			Security
Leadville—4,314			FNBD
Commercial Bank	7,438		United
			CNBD
			American
			CB&T
			Security

[1] Banks available to provide correspondent banking services to present or future independent banks in the specified city (see list at end of table).

Assuming *only* Denver Banks can Offer Correspondent Services to Colorado Country Banks and Assuming Further that Country Banks Would Be Unwilling to Correspond with a Competitor, Colorado Cities with Commercial Banks and Available Offerors of Correspondent Banking Services to Independent Banks.

City—1970 Population and Name of Bank	Deposits as of 12/31/70 (000)	Holding Company Controlling Bank	Available Offerors Of Correspondent Banking Services [1]
Limon—1,814			FNBD
First National Bank	5,256		United
			CNBD
			American
			CB&T
			Security
Littleton—26,466			CNBD
United Bank of Littleton	16,826	United	American
First National Bank of Southglenn	7,322	FNBanc.	CB&T
Littleton National Bank	15,532		Security
Longmont—23,209			FNBD
First National Bank	23,699		United
Longmont National Bank	16,420		CNBD
St. Vrain Valley State Bank	5,698		American
			CB&T
			Security
Louisville—2,409			
First National Bank	3,508	ABC	
			FNBD
			United
			CNBD
			American
			CB&T
			Security
Loveland—16,220			
First National Bank	25,433	ABC	
Westlake First National Bank	3,718	ABC	
Home State Bank	9,633		FNBD
			United
			CNBD
			American
			CB&T
			Security
Mancos—709			FNBD
Mancos State Bank	1,542		United
			CNBD
			American
			CB&T
			Security

[1] Banks available to provide correspondent banking services to present or future independent banks in the specified city (see list at end of table).

Assuming *only* Denver Banks can Offer Correspondent Services to Colorado Country Banks and Assuming Further that Country Banks Would Be Unwilling to Correspond with a Competitor, Colorado Cities with Commercial Banks and Available Offerors of Correspondent Banking Services to Independent Banks

City—1970 Population and Name of Bank	Deposits as of 12/31/70 (000)	Holding Company Controlling Bank	Available Offerors Of Correspondent Banking Services [1]
Manitou Springs—4,278			
Bank of Manitou	3,663	ABC	
			FNBD
			United
			CNBD
			American
			CB&T
			Security
Manzanola—451			FNBD
J. N. Beaty & Co.	738		United
			CNBD
			American
			CB&T
			Security
McClave—NR			FNBD
McClave State Bank	1,114		United
			CNBD
			American
			CB&T
			Security
Meeker—1,597			FNBD
First National Bank	6,456		United
			CNBD
			American
			CB&T
			Security
Minturn—706			FNBD
Engle Valley Bank (new)			United
			CNBD
			American
			CB&T
			Security
Monte Vista—3,909			FNBD
Fidelity Bank & Trust	7,188		United
			CNBD
			American
			CB&T
			Security

[1] Banks available to provide correspondent banking services to present or future independent banks in the specified city (see list at end of table).

Assuming *only* Denver Banks can Offer Correspondent Services to Colorado Country Banks and Assuming Further that Country Banks Would Be Unwilling to Correspond with a Competitor, Colorado Cities with Commercial Banks and Available Offerors of Correspondent Banking Services to Independent Banks

City—1970 Population and Name of Bank	Deposits as of 12/31/70 (000)	Holding Company Controlling Bank	Available Offerors Of Correspondent Banking Services [1]
Montrose—6,196			FNBD
First National Bank	15,118		United
Montrose National Bank	7,192		CNBD
			American
			CB&T
			Security
North Glenn—27,937			
First National Bank	9,450	FNBanc.	
			United
			CNBD
			American
			CB&T
			Security
Norwood—408			FNBD
San Miguel Basin State Bank	4,199		United
			CNBD
			American
			CB&T
			Security
Ordway—1,017			FNBD
First National Bank	1,772		United
			CNBD
			American
			CB&T
			Security
Otis—521			FNBD
First National Bank	3,695		United
			CNBD
			American
			CB&T
			Security
Ouray—741			FNBD
Citizens State Bank	3,701		United
			CNBD
			American
			CB&T
			Security

[1] Banks available to provide correspondent banking services to present or futura independent banks in the specified city (see list at end of table).

Assuming *only* Denver Banks can Offer Correspondent Services to Colorado Country Banks and Assuming Further that Country Banks Would Be Unwilling to Correspond with a Competitor, Colorado Cities with Commercial Banks and Available Offerors of Correspondent Banking Services to Independent Banks

City—1970 Population and Name of Bank	Deposits as of 12/31/70 (000)	Holding Company Controlling Bank	Available Offerors Of Correspondent Banking Services [1]
Pagosa Springs—1,360			FNBD
Citizens Bank	2,472		United
			CNBD
			American
			CB&T
			Security
Palisade—874			FNBD
Palisades National Bank	3,251		United
			CNBD
			American
			CB&T
			Security
Paonia—1,161			FNBD
First National Bank	4,433		United
			CNBD
			American
			CB&T
			Security
Pueblo—97,453			
United Bank of Pueblo	19,541	United	
First National Bank	55,670		FNBD
Minnequa Bank	23,743		CNBD
Midtown National	6,306		American
Park National Bank	4,168		CB&T
Pueblo Bank & Trust	35,809		Security
Republic National Bank	11,709		
Rangely—1,591			FNBD
Bank of Rangely	1,555		United
			CNBD
			American
			CB&T
			Security
Rifle—2,150			FNBD
First National Bank	6,747		United
			CNBD
			American
			CB&T
			Security

[1] Banks available to provide correspondent banking services to present or future independent banks in the specified city (see list at end of table).

Assuming *only* Denver Banks can Offer Correspondent Services to Colorado Country Banks and Assuming Further that Country Banks Would Be Unwilling to Correspond with a Competitor, Colorado Cities with Commercial Banks and Available Offerors of Correspondent Banking Services to Independent Banks

City—1970 Population and Name of Bank	Deposits as of 12/31/70 (000)	Holding Company Controlling Bank	Available Offerors Of Correspondent Banking Services [1]
Rocky Ford—4,859			
Rocky Ford National	5,497	Central Colo.	FNBD
Empire State Bank	2,542		United
			CNBD
			American
			CB&T
			Security
Salida—4,355			FNBD
First National Bank	8,297		United
			CNBD
			American
			CB&T
			Security
Security—15,297 [2]			FNBD
Bank of Fountain Valley	4,548		United
			CNBD
			American
			CB&T
			Security
Springfield—1,660			FNBD
First National Bank	7,918		United
			CNBD
			American
			CB&T
			Security
Steamboat Springs—2,340			FNBD
Routt Co. National Bank	13,803		United
			CNBD
			American
			CB&T
			Security
Sterling—10,636			
Commercial Savings Bank	13,038	(Colo. CNB)	
Security State Bank	24,045		
First National Bank	7,436	(FNBanc.)	United
			American
			CB&T
			Security

[1] Banks available to provide correspondent banking services to present or future independent banks in the specified city (see list at end of table).

[2] Population for Security—Widefield.

Assuming *only* Denver Banks can Offer Correspondent Services to Colorado Country Banks and Assuming Further that Country Banks Would Be Unwilling to Correspond with a Competitor, Colorado Cities with Commercial Banks and Available Offerors of Correspondent Banking Services to Independent Banks

City—1970 Population and Name of Bank	Deposits as of 12/31/70 (000)	Holding Company Controlling Bank	Available Offerors Of Correspondent Banking Services [1]
Strasburg—NR			FNBD
First National Bank	8,738		United
			CNBD
			American
			CB&T
			Security
Stratton—6,233			FNBD
First National Bank	5,029		United
			CNBD
			American
			CB&T
			Security
Telluride—552			FNBD
Bank of Telluride	1,315		United
			CNBD
			American
			CB&T
			Security
Thornton—13,326			FNBD
No. Valley State Bank	8,359		United
			CNBD
			American
			CB&T
			Security
Trinidad—9,901			FNBD
First National Bank	11,397		United
Trinidad National Bank	7,977		CNBD
			American
			CB&T
			Security
Vail—484			FNBD
Bank of Vail	4,106		United
			CNBD
			American
			CB&T
			Security

[1] Banks available to provide correspondent banking services to present or future independent banks in the specified city (see list at end of table).

Assuming *only* Denver Banks can Offer Correspondent Services to Colorado Country Banks and Assuming Further that Country Banks Would Be Unwilling to Correspond with a Competitor, Colorado Cities with Commercial Banks and Available Offerors of Correspondent Banking Services to Independent Banks

City—1970 Population and Name of Bank	Deposits as of 12/31/70 (000)	Holding Company Controlling Bank	Available Offerors Of Correspondent Banking Services [1]
Walden—907			FNBD
No. Park State Bank	2,420		United
			CNBD
			American
			CB&T
			Security
Walsenburg—4,329			FNBD
First National Bank	6,731		United
			CNBD
			American
			CB&T
			Security
Walsh—989			FNBD
Colorado State Bank	3,552		United
			CNBD
			American
			CB&T
			Security
Westminster—19,432			FNBD
First National Bank	16,869		United
			CNBD
			American
			CB&T
			Security
Wheat Ridge—29,795			FNBD
Lakeside National Bank	25,092	First Colo.	United
Wheatridge National Bank	2,401		CNBD
			American
			CB&T
Wiley—357			FNBD
State Bank of Wiley	3,267		United
			CNBD
			American
			CB&T
			Security

[1] Banks available to provide correspondent banking services to present or future independent banks in the specified city (see list at end of table).

Assuming *only* Denver Banks can Offer Correspondent Services to Colorado Country Banks and Assuming Further that Country Banks Would Be Unwilling to Correspond with a Competitor, Colorado Cities with Commercial Banks and Available Offerors of Correspondent Banking Services to Independent Banks

City—1970 Population and Name of Bank	Deposits as of 12/31/70 (000)	Holding Company Controlling Bank	Available Offerors Of Correspondent Banking Services [1]
Windsor—1,564			FNBD
First National Bank	5,709		United
			CNBD
			American
			CB&T
			Security
Woodland Park—1,022			FNBD
Park State Bank	2,234		United
			CNBD
			American
			CB&T
			Security
Wray—1,953			FNBD
First National Bank	10,759		United
			CNBD
			American
			CB&T
			Security
Yuma—2,259			FNBD
Farmers State Bank	7,231		United
			CNBD
			American
			CB&T
			Security

Sources: 1970 Census of Population, Bureau of the Census, U.S. Department of Commerce. Polk's Bank Directory, March 1971. Moody's Bank and Finance Manual.

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[1] Banks available to provide correspondent banking services to present or future independent banks in the specified city (see list at end of table).

Abbreviations and Symbols Used in Above Table

"Holding Company" column:

FNBance.	—	First National Bancorporation.
United	—	United Banks of Colorado, Inc.
Colo. CNB	—	Colorado CNB Bankshares, Inc.
ABC	—	Affiliated Bankshares of Colorado, Inc.
Western	—	Western Bancorporation.
First Colo.	—	First Colorado Bankshares.
Central Colo.	—	Central Colorado Bancorporation, Inc.
Security	—	Security National Bank of Denver (subsidiary of First Colorado Bankshares)

"Available Offerors" column:

FNBD	—	First National Bank of Denver (subsidiary of First National Bancorporation).
United	—	United Bank of Denver (subsidiary of United Banks of Colorado, Inc.).
CNBD	—	Colorado National Bank of Denver (subsidiary of Colorado CNB Bankshares, Inc.).
American	—	American National Bank of Denver (subsidiary of Western Bancorporation).
CB&T	—	Central Bank & Trust Co., Denver.

Code in parenthesis ( ) indicates status pending
NB—Not Reported.

1970 CORRESPONDENT BANKING SURVEY

BANKS WITH CORRESPONDENT DEPOSITS OVER $500,000 (,000's omitted in $ figures)*

AS REPORTED SEPT. 30 1970 AND SEPT. 30 OR OCT. 1, 1969

Compiled by the **American Banker** *and Copyright 1970*

FEDERAL RESERVE DISTRICT No. 1

	September 30, 1970								Sept. 30 or Oct. 1, 1969				
	Due to Banks			Total	D. to B. to T'tl	No. Corresp. Banks			Due to Banks			Total	D. to B. to T'tl
	Total	Dom.	Fgn.	Deposits	Dep.	Total	Dom.	Fgn.	Total	Dom.	Fgn.	Deps.	Dep.
CONNECTICUT	$	$	$	$	%				$	$	$	$	%
Connecticut Bank & Tr. Co., Hartford	36,892	36,321	571	977,172	3.8	112	90	22	28,927	28,458	469	740,166	3.9
Hartford National Bank & Trust Co.	28,630	26,659	1,971	871,802	3.3	123	94	29	25,859	24,690	1,169	803,800	3.2
Colonial Bank & Trust Co., Waterbury	3,884	3,874	10	233,580	1.7	20	19	1	3,754	3,739	15	191,898	2.0
Second National Bank, New Haven	2,610	2,602	8	163,359	1.6	14	13	1	2,908	2,899	9	157,027	1.9
United Bank & Trust Co., Hartford	2,249	2,249	....	96,023	2.3	15	15	...	2,022	2,022	...	87,431	2.3
Union Trust Co., New Haven	2,043	1,746	297	451,192	0.5	22	16	6	3,167	3,167	...	309,449	1.0
First New Haven National Bank	1,151	1,114	37	249,214	0.5	23	20	3	2,866	2,845	21	224,434	1.3
New Britain Bank & Trust Co.	611	611	....	55,441	1.1	4	4	..	608	608	...	53,139	1.1
New Britain National Bank	558	558	....	59,177	0.9	12	12	...	910	910	...	49,204	1.8
MAINE													
Maine National Bank, Portland	7,726	7,699	27	182,951	4.2	49	47	2	5,487	5,463	24	147,370	3.7
Merrill Trust Co., Bangor	4,347	4,347	....	104,252	4.2	6	6	...	918	918	...	86,949	1.1
First-Manufacturers NB, Lewiston	3,619	3,619	....	73,044	5.0	9	9	...	2,069	2,069	...	63,754	3.2
Canal National Bank, Portland	3,419	3,419	....	98,582	3.5	17	17	...	2,209	2,209	...	87,740	2.5
Depositors Trust Co., Augusta	2,537	2,537	....	156,059	1.6	9	9	...	1,207	1,207	...	141,341	0.9
Eastern Trust & Banking Co., Bangor	1,733	1,733	....	32,041	5.4	11	11	...	2,957	2,957	...	31,595	9.4
Merchants National Bank, Bangor	1,166	1,166	....	26,926	4.3	7	7	...	1,328	1,328	...	24,536	5.4
Casco Bank & Trust Co., Portland	1,099	1,099	....	117,099	0.9	32	32	...	798	798	...	106,181	0.8
Northern National Bank, Presque Isle	851	710	141	61,547	1.4	7	6	1	467	356	111	55,419	0.8
First National Bank, Biddeford	682	682	....	14,320	4.8	3	3	...	354	354	...	14,695	2.4
MASSACHUSETTS													
First National Bank, Boston	247,759	224,078	23,681	2,523,639	9.8	..	...	...	271,797	245,712	26,086	2,348,148	11.6
New England Merchants National Bank, Boston	164,741	162,991	1,750	727,861	22.6	..	...	...	84,752	82,560	2,192	598,327	14.2
National Shawmut Bank, Boston	120,935	....	....	779,325	15.5	..	...	...	128,347	107,507	20,841	744,631	17.2
State Street Bank & Trust Co., Boston	69,893	60,052	9,841	830,827	8.4	..	...	...	52,232	45,450	6,782	794,643	6.6
Third NB of Hampden Cty., Springfield	8,614	8,614	....	180,673	4.8	54	54	...	4,515	4,515	...	162,006	2.8
Worcester County National Bank, Worcester	8,358	8,317	40	281,003	3.0	40	37	3	7,685	7,565	120	258,669	3.0
Middlesex Bank NA, Everett	6,126	6,126	....	185,216	3.3	21	21	...	5,570	5,570	...	171,200	3.3
Harvard Trust Co., Cambridge	5,560	5,560	....	176,721	3.1	9	9	...	3,718	3,668	50	163,334	2.3
Boston Safe Deposit & Trust Co.	4,522	4,522	....	93,624	4.8	64	64	...	4,315	4,315	...	100,525	4.3
South Shore National Bank, Quincy	3,984	3,925	59	147,020	2.7	21	17	4	2,192	2,192	...	142,886	1.5
Union National Bank, Lowell	3,475	3,475	....	133,206	2.6	..	...	...	2,832	2,832	...	120,866	2.3
First Agr. NB of Berkshire Cty., Pittsfield	2,336	2,336	....	81,301	2.9	11	11	...	1,046	1,046	...	78,426	1.3
Newton-Waltham Bank & Trust Co., Waltham	2,295	2,295	....	133,047	1.7	8	8	...	2,085	2,085	...	123,000	1.7
Mechanics National Bank, Worcester	2,146	2,146	....	83,173	2.4	22	22	...	3,361	3,361	...	78,277	4.3
First Bank & Trust Co., Springfield	2,137	2,137	....	99,911	2.1	34	34	...	1,729	1,729	...	91,547	1.9
Guaranty Bank & Trust Co., Worcester	1,926	1,926	....	145,524	1.3	9	9	...	911	911	...	126,673	0.7
Norfolk County Trust Co., Brookline	1,919	1,919	....	207,934	0.9	18	18	...	2,245	2,245	...	150,337	1.2
First County National Bank, Brockton	1,761	1,761	....	42,329	4.2	3	8	...	....	....	...	....	..
Plymouth-Home National Bank, Brockton	1,712	1,712	....	63,510	2.7	7	7	...	2,179	2,179	...	58,272	3.7
Naumkeag Trust Co., Salem	1,631	1,631	....	29,452	5.5	9	9	...	1,589	1,589	...	29,150	5.4
Valley Bank & Trust Co., Springfield	1,558	1,558	....	159,597	1.0	5	5	...	1,955	1,955	...	147,909	1.3
First National Bank, New Bedford	1,296	1,295	1	58,396	2.2	7	6	1	....	....	...	....	....
Security National Bank, Lynn	1,259	1,259	....	56,231	2.2	9	9	...	1,332	1,332	...	50,076	2.7
Essex County Bank & Trust Co., Lynn	1,229	1,229	....	86,398	1.4	6	6	...	1,017	1,017	...	77,554	1.3
Fall River National Bank	1,149	1,149	....	33,508	3.4	..	...	...	956	956	...	30,124	3.2
Bay State Merchants Nti, Lawrence	1,045	....	....	51,150	2.0	4	...	...	1,161	1,161	...	46,965	2.5
Broadway Trust Co.	....	....	....	....	..	..	...	...	....	....	...	....	..
Melrose-Wakefield Trust Co., Wakefield	899	899	....	31,725	2.8	4	4	...	1,037	1,037	...	31,634	3.3
Merchants-Warren National Bank, Salem	839	839	....	38,837	2.2	4	4	...	....	....	...	....	..
Framingham Trust Co.	765	765	....	73,856	1.0	8	8	...	552	552	...	69,163	0.8
Merchants National Bank, New Bedford	736	736	....	47,938	1.5	8	8	...	1,320	1,316	4	43,815	3.0
Berkshire Bank & Trust Co., Pittsfield	663	663	....	57,251	1.2	..	...	...	365	365	...	42,087	0.9
Harbor National Bank, Boston	650	650	....	16,037	4.1	6	6	...	....	....	...	12,726	..
B.M.C. Durfee Trust Co., Fall River	645	645	....	42,579	1.5	8	8	...	707	707	...	40,231	1.8
Union Market National Bank, Watertown	565	565	....	44,472	1.3	1	1	...	646	646	...	43,123	1.5
Holyoke National Bank	527	527	....	23,104	2.3	3	3	...	585	585	...	22,873	2.5
County Bank NA, Cambridge	522	522	....	79,532	0.7	7	7	...	439	439	...	77,386	0.6
First NB of Franklin Cty., Greenfield	514	514	....	27,496	1.9	2	2	...	565	565	...	25,631	2.2
Franklin County Trust Co., Greenfield	508	508	....	28,240	1.8	11	11	...	730	730	...	27,547	2.7
NEW HAMPSHIRE													
Amoskeag National Bank, Manchester	5,183	5,183	....	35,232	14.7	7	7	...	2,882	2,882	...	33,007	8.7
Merchants National Bank, Manchester	2,863	2,863	....	31,279	9.2	..	...	...	1,524	1,524	...	32,801	4.6
Bank of New Hampshire NA, Manchester	2,660	2,660	....	92,378	2.9	11	11	...	735	735	...	14,026	5.3
Concord National Bank	2,363	2,363	....	27,835	8.5	13	13	...	717	717	...	28,325	2.5
Indian Head National Bank, Nashua	538	538	....	59,534	0.9	5	5	...	573	573	...	54,402	1.0
RHODE ISLAND													
Rhode Island Hosp. Tr. Co., Providence	5,886	3,366	2,519	485,174	1.2	72	38	34	5,607	4,143	1,464	441,836	1.3
Industrial National Bank, Providence	3,339	2,469	869	771,665	0.4	86	37	49	4,248	3,483	765	719,748	0.6
Citizens Trust Co., Providence	2,328	2,321	7	64,101	3.6	3	2	1	1,038	1,033	4	59,168	2.0

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Connecticut Bank & Tr. Co., Hartford	36,892	36,321	571	977,172	3.8	112	90	22	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hartford National Bank & Trust Co.	28,630	26,659	1,971	871,802	3.3	123	94	29	25,859	24,690	1,169	803,800	3.2
Colonial Bank & Trust Co., Waterbury	3,884	3,874	10	233,580	1.7	20	19	1	3,754	3,739	15	191,898	2.0
Second National Bank, New Haven	2,610	2,602	8	163,359	1.6	14	13	1	2,908	2,899	9	157,027	1.9
United Bank & Trust Co., Hartford	2,249	2,249	....	96,023	2.3	15	15	...	2,022	2,022	...	87,431	2.3
Union Trust Co., New Haven	2,043	1,746	297	451,192	0.5	22	16	6	3,167	3,167	...	309,449	1.0
First New Haven National Bank	1,151	1,114	37	249,214	0.5	23	20	3	2,866	2,845	21	224,434	1.3
New Britain Bank & Trust Co.	611	611	....	55,441	1.1	4	4	..	608	608	...	53,139	1.1
New Britain National Bank	558	558	....	59,177	0.9	12	12	...	910	910	...	49,204	1.8
MAINE													
Maine National Bank, Portland	7,726	7,699	27	182,951	4.2	49	47	2	5,487	5,463	24	147,370	3.7
Merrill Trust Co., Bangor	4,347	4,347	....	104,252	4.2	6	6	...	918	918	...	86,949	1.1
First-Manufacturers NB, Lewiston	3,619	3,619	....	73,044	5.0	9	9	...	2,069	2,069	...	63,754	3.2
Canal National Bank, Portland	3,419	3,419	....	98,582	3.5	17	17	...	2,209	2,209	...	87,740	2.5
Depositors Trust Co., Augusta	2,537	2,537	....	156,059	1.6	9	9	...	1,207	1,207	...	141,341	0.9
Eastern Trust & Banking Co., Bangor	1,733	1,733	....	32,041	5.4	11	11	...	2,957	2,957	...	31,595	9.4
Merchants National Bank, Bangor	1,166	1,166	....	26,926	4.3	7	7	...	1,328	1,328	...	24,536	5.4
Casco Bank & Trust Co., Portland	1,099	1,099	....	117,099	0.9	32	32	...	798	798	...	106,181	0.8
Northern National Bank, Presque Isle	851	710	141	61,547	1.4	7	6	1	467	356	111	55,419	0.8
First National Bank, Biddeford	682	682	....	14,320	4.8	3	3	...	354	354	...	14,695	2.4
MASSACHUSETTS													
First National Bank, Boston	247,759	224,078	23,681	2,523,639	9.8	..	...	...	271,797	245,712	26,086	2,348,148	11.6
New England Merchants National Bank, Boston	164,741	162,991	1,750	727,861	22.6	..	...	...	84,752	82,560	2,192	598,327	14.2
National Shawmut Bank, Boston	120,935	....	....	779,325	15.5	..	...	...	128,347	107,507	20,841	744,631	17.2
State Street Bank & Trust Co., Boston	69,893	60,052	9,841	830,827	8.4	..	...	...	52,232	45,450	6,782	794,643	6.6
Third NB of Hampden Cty., Springfield	8,614	8,614	....	180,673	4.8	54	54	...	4,515	4,515	...	162,006	2.8
Worcester County National Bank, Worcester	8,358	8,317	40	281,003	3.0	40	37	3	7,685	7,565	120	258,669	3.0
Middlesex Bank NA, Everett	6,126	6,126	....	185,216	3.3	21	21	...	5,570	5,570	...	171,200	3.3
Harvard Trust Co., Cambridge	5,560	5,560	....	176,721	3.1	9	9	...	3,718	3,668	50	163,334	2.3
Boston Safe Deposit & Trust Co.	4,522	4,522	....	93,624	4.8	64	64	...	4,315	4,315	...	100,525	4.3
South Shore National Bank, Quincy	3,984	3,925	59	147,020	2.7	21	17	4	2,192	2,192	...	142,886	1.5
Union National Bank, Lowell	3,475	3,475	....	133,206	2.6	..	...	...	2,832	2,832	...	120,866	2.3
First Agr. NB of Berkshire Cty., Pittsfield	2,336	2,336	....	81,301	2.9	11	11	...	1,046	1,046	...	78,426	1.3
Newton-Waltham Bank & Trust Co., Waltham	2,295	2,295	....	133,047	1.7	8	8	...	2,085	2,085	...	123,030	1.7
Mechanics National Bank, Worcester	2,146	2,146	....	88,173	2.4	22	22	...	3,361	3,361	...	78,277	4.3
First Bank & Trust Co., Springfield	2,137	2,137	....	99,911	2.1	34	34	...	1,729	1,729	...	91,547	1.9
Guaranty Bank & Trust Co., Worcester	1,926	1,926	....	145,524	1.3	9	9	...	911	911	...	126,673	0.7
Norfolk County Trust Co., Brookline	1,919	1,919	....	207,934	0.9	18	18	...	2,245	2,245	...	190,337	1.2
First County National Bank, Brockton	1,761	1,761	....	42,329	4.2	8	8	...	...	...	...	...	..
Plymouth-Home National Bank, Brockton	1,712	1,712	....	63,510	2.7	7	7	...	2,179	2,179	...	58,272	3.7
Naumkeag Trust Co., Salem	1,631	1,631	....	29,452	5.5	9	9	...	1,589	1,589	...	29,150	5.4
Valley Bank & Trust Co., Springfield	1,558	1,558	....	159,597	1.0	5	5	...	1,955	1,955	...	147,903	1.3
First National Bank, New Bedford	1,296	1,295	1	58,396	2.2	7	6	1	...	...	...	...	..
Security National Bank, Lynn	1,259	1,259	....	56,231	2.2	9	9	...	1,332	1,332	...	50,076	2.7
Essex County Bank & Trust Co., Lynn	1,229	1,229	....	86,398	1.4	6	6	...	1,017	1,017	...	77,554	1.3
Fall River National Bank	1,149	1,149	....	31,748	3.4	..	...	...	956	956	...	30,124	3.2
Bay State Merchants NB, Lawrence	1,045	....	....	51,130	2.0	4	...	...	1,161	1,161	...	46,965	2.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Melrose-Wakefield Trust Co., Wakefield	899	899	....	31,725	2.8	4	4	...	1,037	1,037	...	31,504	..
Merchants-Warren National Bank, Salem	859	859	....	38,837	2.2	4	4	...	...	...	...	...	..
Framingham Trust Co.	765	765	....	73,836	1.0	8	8	...	552	552	...	69,163	0.8
Merchants National Bank, New Bedford	736	736	....	47,508	1.5	8	8	...	1,320	1,316	4	43,815	3.0
Berkshire Bank & Trust Co., Pittsfield	663	663	....	57,251	1.2	..	...	...	365	365	...	42,087	0.9
Harbor National Bank, Boston	650	650	....	16,037	4.1	6	6	...	...	...	...	12,726	..
B.M.C. Durfee Trust Co., Fall River	645	645	....	42,579	1.5	8	8	...	707	707	...	40,231	1.8
Union Market National Bank, Watertown	595	595	....	44,472	1.3	1	1	...	646	646	...	43,123	1.5
Holyoke National Bank	527	527	....	23,194	2.3	3	3	...	585	585	...	22,873	2.5
County Bank NA, Cambridge	522	522	....	79,582	0.7	7	7	...	439	439	...	77,386	0.6
First NB of Franklin Cty., Greenfield	514	514	....	27,406	1.9	2	2	...	565	565	...	25,631	2.2
Franklin County Trust Co., Greenfield	508	508	....	28,280	1.8	11	11	...	730	730	...	27,547	2.7
NEW HAMPSHIRE													
Amoskeag National Bank, Manchester	5,183	5,183	....	35,232	14.7	7	7	...	2,882	2,882	...	33,007	8.7
Merchants National Bank, Manchester	2,863	2,863	....	31,279	9.2	..	...	...	1,524	1,524	...	32,801	4.6
Bank of New Hampshire NA, Manchester	2,660	2,660	....	92,378	2.9	11	11	...	735	735	...	14,026	5.3
Concord National Bank	2,363	2,363	....	27,855	8.5	13	13	...	717	717	...	28,325	2.5
Indian Head National Bank, Nashua	538	538	....	59,534	0.9	5	5	...	573	573	...	54,402	1.0
RHODE ISLAND													
Rhode Island Hosp. Tr. Co., Providence	5,886	3,366	2,519	485,174	1.2	72	38	34	5,607	4,143	1,464	441,836	1.3
Industrial National Bank, Providence	3,339	2,449	889	771,665	0.4	86	37	49	4,248	3,483	765	719,748	0.6
Citizens Trust Co., Providence	2,328	2,321	7	64,101	3.6	3	2	1	1,036	1,033	4	52,150	2.0
VERMONT													
Howard National Bk. & Tr. Co., Burlington	1,072	....	....	118,262	0.9	12	...	...	...	...	...	...	..

FEDERAL RESERVE DISTRICT No. 2

CONNECTICUT													
Connecticut National Bank, Bridgeport	5,214	5,214	....	358,194	1.5	16	16	...	5,639	5,639	...	303,946	1.9
City Trust Co., Bridgeport	3,173	3,173	....	248,528	1.3	9	9	....	4,043	4,043	...	243,413	1.7
State NB of Connecticut, Bridgeport	2,291	1,811	480	324,780	0.7	30	8	22	2,508	2,392	116	308,770	0.8
NEW JERSEY													
New Jersey Bank NA, Clifton	36,420	35,672	748	466,444	7.8	70	33	37	34,008	33,132	876	419,728	8.1
First National State Bank, Newark	26,187	25,906	281	691,134	3.8	103	90	13	17,868	17,803	65	673,735	2.7
National Newark & Essex Bank, Newark	25,403	24,719	689	613,682	4.1	81	74	7	19,831	19,573	308	578,294	3.4
Fidelity Union Trust Co., Newark	12,770	12,342	428	608,002	2.1	100	86	14	17,044	15,623	1,421	562,608	2.9
First Jersey National Bank, Jersey City	10,239	10,116	123	450,981	2.3	33	22	11	5,081	4,939	142	414,291	1.2
Peoples Trust of New Jersey, Hackensack	9,831	9,128	702	596,474	1.6	58	47	11	6,674	6,466	208	494,355	1.3
National State Bank, Elizabeth	5,564	5,564	....	307,149	1.8	28	28	...	6,811	6,811	...	288,759	2.4
First National Bank of Passaic Cty., Paterson	5,522	5,520	12	360,475	1.5	25	23	2	3,876	3,857	19	357,586	1.1
Trust Co. of New Jersey, Jersey City	4,033	4,018	15	169,737	2.4	13	12	1	3,656	3,639	17	161,647	2.3
Commercial Trust Co., Jersey City	2,539	2,539	....	173,680	1.5	5	5	...	2,272	2,272	...	166,669	1.4
American National Bank & Tr. Co., Montclair	2,412	2,412	....	300,918	0.8	6	6	...	558	558	...	160,087	0.3
Union County Trust Co., Elizabeth	1,661	1,661	....	195,715	0.8	4	4	...	902	902	...	157,762	0.5
Peoples NB of Central Jersey, Piscataway	732	732	....	51,705	1.4	1	1	...	942	942	...	46,972	2.0
Hudson Trust Co., Union City	638	605	33	102,100	0.6	..	...	....	601	601	#	98,458	0.6
First National Iron Bank, Morristown	574	574	....	141,752	0.4	5	5	...	1,317	1,317	...	135,014	1.0
United NB of Central N.J., Plainfield	539	539	....	123,524	0.4	2	2	...	741	741	...	120,303	0.6

*—All figures exclude deposits in overseas branches unless otherwise noted. Components may not add to totals due to rounding. ‡—Includes subsidiaries.
†—Includes foreign branches. #—Under $500.

1970 CORRESPONDENT BANKING SURVEY

BANKS WITH CORRESPONDENT DEPOSITS OVER $500,000 (,000's omitted in $ figures)*

AS REPORTED SEPT. 30 1970 AND SEPT. 30 OR OCT. 1, 1969

Compiled by the **American Banker** *and Copyright 1970*

RESERVE DISTRICT NO. 2, Continued	September 30, 1970								Sept. 30 or Oct. 1, 1969							
	Due to Banks			Total	D. to B. to T'tl	No. Corresp. Banks			Due to Banks			Total	D. to B. to T'tl	No. Corresp. Banks		
NEW YORK	Total $	Dom. $	Fgn. $	Deposits $	Dep. %	Total	Dom.	Fgn.	Total $	Dom. $	Fgn. $	Deps. $	Dep. %	Total	Dom.	Fgn.
Manufacturers Hanover Trust Co., New York	2,756,463	....	....	9,354,456	29.5	..	...	...	1,774,919	...	...	7,403,502	23.9	..	...	...
Chase Manhattan Bank NA, New York	2,610,076	2,170,092	439,985	13,911,377	18.8	6,091	3,681	2,400	2,026,572	1,594,140	432,433	12,643,236	16.0	..	...	...
Morgan Guaranty Trust Co., New York	2,054,203	1,920,029	134,174	6,226,462	33.0	2,494	1,081	1,413	1,195,947	1,037,158	158,789	5,126,151	23.3	..	...	...
First National City Bank, New York	1,615,570	....	....	11,676,860	13.8	4,200	...	...	1,455,627	...	...	10,804,277	13.5	..	...	...
Chemical Bank, New York	1,436,126	....	....	7,272,765	19.7	..	...	...	906,697	...	...	6,187,451	14.7	..	...	...
Irving Trust Co., New York	938,414	....	....	3,314,478	28.3	..	...	...	982,824	...	...	3,370,548	29.2	..	...	...
Bankers Trust Co., New York	801,201	....	....	5,402,076	14.8	..	...	...	495,302	...	...	4,906,740	10.1	..	...	...
Marine Midland Bank-New York	646,840	595,667	51,173	2,193,153	29.5	941	351	590	290,688	238,217	52,470	1,576,174	18.4	..	...	...
Bank of New York	158,152	125,726	32,426	1,240,025	12.3	869	489	380	174,338	120,438	53,901	1,165,278	15.0	..	...	...
Franklin National Bank, Mineola	67,766	....	....	2,053,834	3.3	630	...	...	71,654	...	...	1,925,407	3.7	..	...	...
Brown Bros. Harriman & Co., New York	55,169	....	....	305,226	18.1	..	...	...	74,034	...	...	310,555	23.8	..	...	...
Marine Midland Bank-Western, Buffalo	48,861	36,212	12,649	1,308,059	3.7	149	106	43	53,368	45,378	7,989	1,235,844	4.3	..	...	...
National Bank of North America, New York	40,366	12,737	27,629	1,536,860	2.5	672	89	583	35,499	11,976	23,523	1,274,191	2.8	..	...	...
Hambro American Bank & Tr. Co., New York	31,352	1,241	30,111	73,713	42.5	131	14	117	8,651	457	8,194	48,929	17.7	..	...	...
Schroder Trust Co., New York	23,159	1,535	21,624	100,460	23.0	57	31	26	10,157	2,082	8,075	96,523	10.5	..	...	...
National Commercial Bank & Tr. Co., Albany	14,495	14,193	302	722,117	2.0	108	99	9	8,975	8,289	686	848,626	1.1	..	...	...
County Trust Co., White Plains	12,626	12,568	58	885,936	1.4	37	36	1	8,618	8,298	320	809,078	1.1	..	...	...
Manufacturers & Traders Trust Co., Buffalo	9,019	7,631	1,388	795,873	1.1	75	69	6	9,179	7,469	1,709	750,954	1.2	..	...	...
Lincoln Rochester Trust Co., Rochester	7,545	7,304	241	724,284	1.0	33	28	5	15,016	14,839	177	724,498	2.1	..	...	...
Marine Mid. Tr. Co. of Central N.Y., Syracuse	6,233	6,196	37	252,724	2.5	28	26	2	5,222	5,195	27	241,502	2.2	..	...	...
State Bank of Albany	5,406	5,371	34	655,267	0.8	33	32	1	6,592	6,552	40	807,839	0.8	..	...	...
Chinese American Bank, New York	5,123	3,733	1,390	11,636	44.0	7	3	4	4,990	3,803	1,188	9,194	54.3	..	...	...
American Bank & Tr. Co., New York	4,579	365	4,214	172,045	2.7	..	...	...	2,004	97	1,908	118,394	1.7	..	...	...
First Israel Bank & Tr. Co., New York	4,481	670	3,812	79,764	5.6	73	3	70	3,187	134	3,053	57,390	5.5	..	...	...
Republic National Bank, New York	4,456	556	3,899	150,766	3.0	..	...	...	9,645	1,498	8,147	81,727	11.8	..	...	...
National Bank of Westchester, White Plains	4,253	4,253	....	410,318	1.0	17	17	...	4,315	4,315	...	392,683	1.1	..	...	...
Liberty National Bank & Tr. Co., Buffalo	4,015	3,275	739	423,339	0.9	24	19	5	4,290	3,787	504	412,455	1.0	..	...	...
Atlantic Bank, New York	3,845	3,842	3	75,303	5.1	52	51	1	4,278	14	4,263	69,930	6.2	..	...	...
Kings Lafayette Bank, Brooklyn, New York	3,777	3,777	....	165,238	2.3	..	...	...	4,166	4,166	...	154,901	2.7	..	...	...
Sterling NB & Tr. Co., New York	3,748	1,510	2,238	243,883	1.5	103	17	86	3,187	1,277	1,910	213,822	1.5	..	...	...
United States Trust Co., New York	3,693	3,639	54	395,693	0.9	29	27	2	6,529	6,490	39	340,858	1.9	..	...	...
Security Trust Co., Rochester	3,329	3,329	...	334,563	1.0	25	24	1	1,688	1,678	10	313,020	0.5	..	...	...
First Trust & Deposit Co., Syracuse	3,143	3,108	35	281,869	1.1	22	21	1	3,512	3,491	21	262,337	1.3	..	...	...
Bank of Tokyo Tr. Co., New York	2,950	1,223	1,727	172,061	1.7	24	8	16	712	399	313	121,867	0.6	..	...	...
Valley NB of Long Island, Valley Stream	2,518	2,518	...	144,554	1.7	2	2	...	830	830	...	138,148	0.6	..	...	...
First Trust Co. of Albany NA	2,203	2,203	...	186,663	1.2	9	9	...	1,235	1,235	...	173,219	0.7	..	...	...
Marine Midland Tr. Co. of Mohawk Valley, Utica	1,832	1,832	...	198,117	0.9	8	8	...	2,050	2,050	...	187,512	1.1	..	...	...
Marine Midland NB of Troy	1,690	1,664	27	132,694	1.3	13	12	1	2,130	2,117	13	118,586	1.8	..	...	...
Central Trust Co., Rochester	1,498	1,494	2	169,844	0.9	16	15	1	1,953	1,940	12	189,221	1.0	..	...	...
Mohawk National Bank, Schenectady	1,490	1,490	...	86,566	1.7	6	6	...	2,931	...	...	92,103	3.2	..	...	...
Security NB of Long Island, Huntington	1,331	1,331	...	844,953	0.2	17	17	...	2,409	2,409	...	712,391	0.3	..	...	...
State of New York NB, Poughkeepsie	1,324	1,324	...	69,562	1.9	4	4	...	1,280	1,280	...	60,356	2.1	..	...	...
Marine Midland Bank of S.E.N.Y., Poughkeepsie	1,276	1,276	...	225,295	0.6	7	7	...	271	271	...	144,579	0.2	..	...	...
First Westchester NB, New Rochelle	1,221	1,221	...	157,135	0.8	6	6	...	140	140	...	140,070	0.1	..	...	...
Schenectady Trust Co.	1,149	1,149	...	110,012	1.0	5	5	...	790	790	...	101,531	0.8	..	...	...
First-City NB, Binghamton	1,072	1,072	...	151,705	0.7	2	2	...	853	853	...	136,465	0.6	..	...	...
Marine Mid. Tr. Co. of So. N.Y., Elmira	1,056	1,056	...	230,123	0.5	10	10	...	1,453	1,453	...	224,070	0.6	..	...	...
Marine Midland Bank-Rochester	871	836	35	412,963	0.2	19	17	2	1,354	1,317	37	414,622	0.3	..	...	...
Royal National Bank, New York	760	128	632	205,805	0.4	22	3	19	687	129	558	200,534	0.3	..	...	...
Hempstead Bank	715	715	...	153,567	0.5	8	8	...	...	...	...	...	...	..	...	...
Lincoln NB & Tr. Co. of Central NY, Syracuse	677	677	...	224,183	0.3	12	12	...	885	859	26	209,709	0.4	..	...	...
Oneida N. & Tr. Co. of Central NY, Utica	640	640	...	272,261	0.2	9	9	...	841	841	...	268,659	0.3	..	...	...
Merchants Bank, New York	...	...	...	...	...	...	...	...	...	...	...	...	...	..	...	...
Marine Mid. Tr. Co. of No. N.Y., Watertown	565	...	565	57,364	1.0	24	...	24	460	...	460	56,663	0.8	..	...	...
PUERTO RICO	549	549	...	135,629	0.4	7	7	...	66	66	...	134,050	0.1	..	...	...
Banco Credito y Ahorro Ponceno, Ponce	18,733	17,113	1,620	425,260	4.4	32	29	3	21,442	19,877	1,565	360,107	5.6	..	...	...
Banco Popular de Puerto Rico, San Juan	6,231	3,756	2,474	529,043	1.2	71	37	34	3,685	2,880	805	487,406	0.8	..	...	...
Banco de Ponce	2,769	2,769	...	304,405	0.9	14	14	...	525	525	...	263,568	0.2	..	...	...

FEDERAL RESERVE DISTRICT No. 3

DELAWARE																
Wilmington Trust Co.	10,709	10,706	2	389,653	2.8	29	27	2	10,136	10,117	20	402,860	2.5	..	...	...
Bank of Delaware, Wilmington	5,266	5,260	6	232,749	2.3	19	18	1	3,637	3,630	7	234,343	1.6	..	...	...
Delaware Trust Co., Wilmington	1,878	1,878	...	175,234	1.1	10	10	...	2,834	2,834	...	160,236	1.8	..	...	...
NEW JERSEY																
Bank of New Jersey, Camden	3,965	3,965	...	330,209	1.2	32	32	...	4,373	4,373	...	250,741	1.7	..	...	...
South Jersey National Bank, Camden	1,804	1,804	...	315,373	0.6	27	27	...	1,062	1,062	...	223,459	0.5	..	...	...
First NB of S. Jersey, Egg Harbor Twsp.	1,083	1,083	...	253,581	0.4	13	13	...	629	629	...	214,600	0.3	..	...	...
New Jersey NB, Trenton	1,033	914	119	491,622	0.2	25	20	5	1,272	1,240	32	338,564	0.4	..	...	...
PENNSYLVANIA																
First Pa., Bkg. & Tr. Co., Philadelphia	233,341	227,463	5,878	1,953,420	11.9	636	446	190	209,503	201,730	7,773	1,751,894	12.0	..	...	...
Philadelphia National Bank	229,516	202,141	27,375	1,655,949	13.9	1,065	625	440	223,403	199,773	23,630	1,487,626	15.0	..	...	...
Girard Trust Bank, Philadelphia	124,903	119,004	5,899	1,333,879	9.3	450	275	175	132,876	123,285	9,592	1,295,461	10.3	..	...	...
Fidelity Bank, Rosemont	88,529	78,984	9,545	1,117,253	7.9	411	230	181	66,175	60,312	5,862	1,092,903	6.1	..	...	...
Provident National Bank, Philadelphia	64,650	61,181	3,469	830,036	7.8	362	275	87	50,666	47,955	2,711	758,609	6.7	..	...	...
Central-Penn NB, Bala Cynwyd	16,651	15,894	757	424,555	3.9	108	89	19	22,492	21,841	652	375,162	6.0	..	...	...
First National Bank, Wilkes-Barre	14,110	14,110	...	148,906	9.5	52	52	...	14,488	14,488	...	132,651	10.9	..	...	...
Northeastern Pa. NB&T Co., Scranton	5,572	5,568	4	266,022	2.1	45	44	1	6,475	6,471	4	250,501	2.6	..	...	...
Continental Bank, Norristown	3,305	3,115	190	577,586	0.6	27	24	3	782	740	41	474,055	0.2	..	...	...
United Penn Bank, Wilkes-Barre	2,349	2,349	...	181,422	1.3	5	5	...	352	352	...	158,060	0.2	..	...	...
Industrial Valley B&T Co., Jenkintown	1,219	1,219	...	399,480	0.3	3	8	...	2,627	2,627	...	390,292	0.7	..	...	...
Third NB & Tr. Co., Scranton	818	818	...	89,636	0.9	6	6	...	660	660	...	78,227	0.8	..	...	...

OVERSIZE PAGE

Irving Trust Co., New York	938,414	....	....	3,314,478	28.3	..	...	...	982,824	...	...	3,370,548	29.2
Bankers Trust Co., New York	801,201	....	....	5,402,076	14.8	..	...	...	495,302	...	...	4,906,760	10.1
Marine Midland Bank-New York	646,840	595,667	51,173	2,193,153	29.5	941	351	590	290,688	238,217	52,470	1,576,174	18.4
Bank of New York	158,152	125,726	32,426	1,240,025	12.8	869	489	380	174,338	120,438	53,901	1,165,278	15.0
Franklin National Bank, Mineola	67,766	....	....	2,053,834	3.3	630	...	...	71,654	...	...	1,925,487	3.7
Brown Bros. Harriman & Co., New York	55,169	....	....	305,226	18.1	..	...	...	74,774	...	...	310,555	23.8
Marine Midland Bank-Western, Buffalo	48,861	36,212	12,649	1,308,859	3.7	149	106	43	5	45,378	7,909	1,235,844	4.3
National Bank of North America, New York	40,366	12,737	27,629	1,596,850	2.5	672	89	583	35,495	11,976	23,523	1,274,191	2.8
Hambro American Bank & Tr. Co., New York	31,352	1,241	30,111	73,713	42.5	131	14	117	8,651	457	8,194	48,929	17.7
Schroder Trust Co., New York	23,159	1,535	21,624	100,470	23.0	57	31	26	10,197	2,082	8,075	96,523	10.5
National Commercial Bank & Tr. Co., Albany	14,495	14,193	302	722,147	2.0	108	99	9	8,575	8,269	606	848,626	1.1
County Trust Co., White Plains	12,626	12,568	58	885,936	1.4	37	36	1	8,618	8,298	320	809,078	1.1
Manufacturers & Traders Trust Co., Buffalo	9,019	7,631	1,388	785,873	1.1	75	69	6	9,179	7,469	1,709	750,954	1.2
Lincoln Rochester Trust Co., Rochester	7,545	7,304	241	724,284	1.0	33	28	5	19,016	14,839	177	724,498	2.1
Marine Mid. Tr. Co. of Central N.Y., Syracuse	6,233	6,196	37	282,724	2.5	28	26	2	5,222	5,195	27	241,502	2.2
State Bank of Albany	5,486	5,371	34	655,267	0.8	33	32	1	6,592	6,552	40	807,839	0.8
Chinese American Bank, New York	5,123	3,733	1,390	11,636	44.0	7	3	4	4,990	3,803	1,188	9,194	54.3
American Bank & Tr. Co., New York	4,579	365	4,214	172,045	2.7	..	...	...	2,804	97	1,908	118,394	1.7
First Israel Bank & Tr. Co., New York	4,481	670	3,812	79,764	5.6	73	3	70	3,187	134	3,053	57,390	5.5
Republic National Bank, New York	4,456	556	3,899	150,766	3.0	..	...	...	9,645	1,498	8,147	81,727	11.8
National Bank of Westchester, White Plains	4,253	4,253	....	410,318	1.0	17	17	...	4,315	4,315	...	392,683	1.1
Liberty National Bank & Tr. Co., Buffalo	4,015	3,275	739	423,339	0.9	24	19	5	4,290	3,787	504	412,455	1.0
Atlantic Bank, New York	3,845	3,842	3	75,303	5.1	52	51	1	4,278	14	4,263	69,020	6.2
Kings Lafayette Bank, Brooklyn, New York	3,777	3,777	....	165,238	2.3	..	...	...	4,166	4,166	...	154,001	2.7
Sterling NB & Tr. Co., New York	3,748	1,510	2,238	243,883	1.5	103	17	86	3,187	1,277	1,910	213,822	1.5
United States Trust Co., New York	3,693	3,639	54	395,693	0.9	29	27	2	6,529	6,490	39	340,558	1.9
Security Trust Co., Rochester	3,329	3,329	...	234,563	1.0	25	24	1	1,688	1,678	10	313,020	0.5
First Trust & Deposit Co., Syracuse	3,143	3,108	35	281,809	1.1	22	21	1	3,512	3,491	21	262,337	1.3
Bank of Tokyo Tr. Co., New York	2,950	1,223	1,727	172,061	1.7	24	8	16	712	399	313	121,867	0.6
Valley NB of Long Island, Valley Stream	2,518	2,518	...	144,554	1.7	2	2	...	838	838	...	138,148	0.6
First Trust Co. of Albany NA	2,203	2,203	...	186,663	1.2	9	9	...	1,235	1,235	...	173,219	0.7
Marine Midland Tr. Co. of Mohawk Valley, Utica	1,832	1,832	...	198,117	0.9	8	8	...	2,050	2,050	...	187,512	1.1
Marine Midland NB of Troy	1,690	1,664	27	132,694	1.3	13	12	1	2,130	2,117	13	118,506	1.8
Central Trust Co., Rochester	1,496	1,494	2	169,844	0.9	16	15	1	1,953	1,940	12	189,221	1.0
Mohawk National Bank, Schenectady	1,490	1,490	...	86,568	1.7	6	6	...	2,831	...	...	92,103	3.2
Security NB of Long Island, Huntington	1,331	1,331	...	844,953	0.2	17	17	...	2,409	2,409	...	712,391	0.3
State of New York NB, Poughkeepsie	1,324	1,324	...	60,562	1.9	4	4	...	1,288	1,288	...	60,356	2.1
Marine Midland Bank of S.E.N.Y., Poughkeepsie	1,276	1,276	...	225,295	0.6	7	7	...	271	271	...	144,579	0.2
First Westchester NB, New Rochelle	1,221	1,221	...	157,132	0.8	6	6	...	140	140	...	140,070	0.1
Schenectady Trust Co.	1,149	1,149	...	110,012	1.0	9	9	...	798	798	...	101,531	0.8
First-City NB, Binghamton	1,072	1,072	...	151,705	0.7	2	2	...	853	853	...	134,465	0.6
Marine Mid. Tr. Co. of So. N.Y., Elmira	1,056	1,056	...	238,123	0.5	10	10	...	1,453	1,453	...	224,070	0.6
Marine Midland Bank-Rochester	871	836	35	412,983	0.2	19	17	2	1,354	1,317	37	414,622	0.3
Royal National Bank, New York	760	128	632	205,853	0.4	22	3	19	687	129	558	200,534	0.3
Hempstead Bank	715	715	...	153,567	0.5	8	8	...	...	...	...	...	...
Lincoln NB & Tr. Co. of Central NY, Syracuse	677	677	...	224,183	0.3	12	12	...	885	859	26	209,705	0.4
Lincoln N. & Tr. Co. of Central NY, Utica	649	649	...	272,761	0.2	9	9	...	841	841	...	268,659	0.3
Merchants Bank, New York	...	...	...	...	...	...	...	...	...	...	...	...	...
Marine Mid. Tr. Co. of No. N.Y., Watertown	565	...	565	97,364	1.8	24	...	24	460	...	460	90,866	0.5
	549	549	...	135,639	0.4	7	7	...	66	66	...	134,266	0.1
PUERTO RICO													
Banco Credito y Ahorro Ponceno, Ponce	18,733	17,113	1,620	425,263	4.4	32	29	3	21,442	19,877	1,565	380,107	5.6
Banco Popular de Puerto Rico, San Juan	6,231	3,756	2,474	529,043	1.2	71	37	34	3,685	2,880	805	487,406	0.8
Banco de Ponce	2,769	2,769	...	304,405	0.9	14	14	...	525	525	...	263,569	0.2

FEDERAL RESERVE DISTRICT No. 3

DELAWARE													
Wilmington Trust Co.	10,709	10,706	2	383,653	2.8	29	27	2	10,136	10,117	20	402,850	2.5
Bank of Delaware, Wilmington	5,266	5,260	6	232,749	2.3	19	18	1	3,627	3,620	7	234,343	1.6
Delaware Trust Co., Wilmington	1,878	1,878	...	175,234	1.1	10	10	...	2,834	2,834	...	160,226	1.8
NEW JERSEY													
Bank of New Jersey, Camden	3,965	3,965	...	330,201	1.2	32	32	...	4,373	4,373	...	250,741	1.7
South Jersey National Bank, Camden	1,804	1,804	...	319,373	0.6	27	27	...	1,062	1,062	...	223,459	0.5
First NB of S. Jersey, Egg Harbor Twsp.	1,083	1,083	...	253,581	0.4	13	13	...	629	629	...	214,600	0.3
New Jersey NB, Trenton	1,033	914	119	451,622	0.2	25	20	5	1,272	1,240	32	338,564	0.4
PENNSYLVANIA													
First Pa., Bkg. & Tr. Co., Philadelphia	233,341	227,463	5,878	1,953,420	11.9	636	446	190	209,503	201,730	7,773	1,751,894	12.0
Philadelphia National Bank	229,516	202,141	27,375	1,655,949	13.9	1,065	625	440	223,603	199,773	23,830	1,487,626	15.0
Girard Trust Bank, Philadelphia	124,503	119,004	5,499	1,333,875	9.3	450	275	175	122,876	123,285	9,592	1,295,461	10.3
Fidelity Bank, Rosemont	88,529	78,984	9,545	1,117,251	7.9	411	230	181	66,175	60,312	5,862	1,092,503	6.1
Provident National Bank, Philadelphia	64,650	61,181	3,469	830,034	7.8	362	275	87	50,666	47,955	2,711	758,559	6.7
Central-Penn NB, Bala Cynwyd	16,651	15,894	757	424,595	3.9	103	69	19	22,492	21,841	652	375,162	6.0
First National Bank, Wilkes-Barre	14,110	14,110	...	148,901	9.5	52	52	...	14,488	14,458	...	132,651	10.9
Northeastern Pa. NB&T Co., Scranton	5,572	5,568	4	266,022	2.1	45	44	1	6,475	6,471	4	250,581	2.6
Continental Bank, Norristown	3,305	3,115	190	577,586	0.6	27	24	3	782	740	41	474,055	0.2
United Penn Bank, Wilkes-Barre	2,349	2,349	...	181,422	1.3	5	5	...	252	252	...	158,060	0.2
Industrial Valley B&T Co., Jenkintown	1,219	1,219	...	399,486	0.3	8	8	...	2,627	2,627	...	390,282	0.7
Third NB & Tr. Co., Scranton	818	818	...	89,835	0.9	6	6	...	669	669	...	78,643	0.9

FEDERAL RESERVE DISTRICT No. 4

KENTUCKY													
First Security NB&T Co., Lexington	2,465	2,465	...	149,423	1.6	60	60	...	2,287	2,287	...	143,634	1.6
Second National Bank, Ashland	741	741	...	49,628	1.6	13	13	...	635	635	...	42,751	1.5
OHIO													
National City Bank, Cleveland	114,732	101,851	12,881	1,164,774	9.8	416	328	88	120,993	116,225	4,768	1,135,286	10.7
First National Bank, Cincinnati	80,803	80,053	750	600,516	13.5	...	...	...	79,014	78,957	57	589,663	13.5
Central National Bank, Cleveland	68,452	65,126	3,326	932,892	7.0	269	190	79	53,052	49,745	3,307	930,527	5.7
Cleveland Trust Co.	41,493	39,655	1,838	2,170,489	1.9	...	...	...	38,899	37,032	1,867	1,977,459	2.0
Fifth Third Bank, Cincinnati	38,304	38,102	201	444,339	8.6	252	238	14	38,869	38,418	451	441,616	8.8
Huntington National Bank, Columbus	34,257	33,662	595	409,851	7.0	...	...	...	30,552	30,388	165	462,557	6.6
Central Trust Co., Cincinnati	22,509	21,338	1,171	469,160	4.8	231	180	51	21,150	20,191	958	469,761	4.5
Union Commerce Bank, Cleveland	21,405	15,437	5,968	522,330	4.1	216	149	67	20,031	16,899	3,132	569,763	3.5
Toledo Trust Co.	17,780	17,734	46	394,099	4.5	95	93	2	22,012	22,856	156	400,567	5.7
Society National Bank, Cleveland	15,990	14,826	1,164	725,690	2.2	107	51	56	18,368	17,229	1,139	686,445	2.7

*—All figures exclude deposits in overseas branches unless otherwise noted. Components may not add to totals due to rounding. ‡—Includes subsidiaries.
†—Includes foreign branches. @—Under $500.

1970 CORRESPONDENT BANKING SURVEY

BANKS WITH CORRESPONDENT DEPOSITS OVER $500,000 (,000's omitted in $ figures)*

AS REPORTED SEPT. 30 1970 AND SEPT. 30 OR OCT. 1, 1969

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RESERVE DISTRICT NO. 4, Continued	September 30, 1970 — Due to Banks Total $	Dom. $	Fgn. $	Total Deposits $	D. to B. to T'ti Dep. %	No. Corresp. Banks Total	Dom.	Fgn.	Sept. 30 or Oct. 1, 1969 — Due to Banks Total $	Dom. $	Fgn. $	Total Deps. $	D. to B. to T'ti Dep. %
Winters Nat'l Bank & Tr. Co., Dayton	8,274	8,066	207	427,485	1.9	...	...	...	10,561	10,456	105	379,630	2.8
Ohio National Bank, Columbus	7,876	7,544	332	632,372	1.2	124	114	10	9,055	8,659	396	647,571	1.4
City National Bk. & Tr. Co., Columbus	5,117	5,117	...	375,725	1.4	97	97	...	4,624	4,589	35	358,325	1.3
Ohio Citizens Trust Co., Toledo	4,042	4,042	...	183,545	2.2	67	67	...	5,504	5,504	...	176,411	3.1
First National Bank of Toledo	2,206	1,413	792	205,194	1.1	56	14	42	2,298	1,668	630	203,857	1.1
First National Bank of Dayton	1,131	1,109	22	180,981	0.6	16	15	1	960	960	...	165,174	0.6
Park National Bank, Newark	1,009	1,009	...	2,450	1.2	5	5	...	...	...	...	...	..
First National Bank, Akron	988	959	29	470,179	0.2	13	12	1	415	399	16	449,486	0.1
First National Bank, Canton	974	...	...	141,646	0.7	5	...	...	...	...	...	...	..
Third NB & Tr. Co., Dayton	521	521	...	193,237	0.3	9	9	...	1,115	1,115	...	179,131	0.6
PENNSYLVANIA													
Mellon Nat'l Bk & Tr. Co., Pittsburgh	177,078	...	...	3,771,312	4.7	...	...	...	138,700	129,150	9,550	3,117,057	4.4
Pittsburgh National Bank	56,049	53,159	2,890	1,438,094	3.9	..	...	...	47,661	44,514	3,147	1,357,219	3.5
Western Pennsylvania NB, Pittsburgh	13,706	12,225	1,481	756,810	1.8	..	...	...	11,358	10,268	1,107	740,328	1.5
Union National Bank, Pittsburgh	6,433	....	....	647,211	1.0	..	...	...	6,359	...	...	474,049	1.3
Pennsylvania Bk. & Tr. Co., Titusville	657	657	....	114,263	0.6	2	2	...	297	297	...	104,690	0.3
WEST VIRGINIA													
Wheeling Dollar Savings & Trust Co.	1,075	1,075	....	68,847	1.6	25	25	...	999	999	...	64,880	1.5

FEDERAL RESERVE DISTRICT No. 5

DISTRICT OF COLUMBIA													
Riggs National Bank	35,402	31,005	4,396	851,607	4.2	..	...	...	46,254	42,742	3,512	828,636	5.6
American Security & Trust Co.	22,223	19,731	2,492	680,587	3.3	..	...	...	31,444	29,909	1,535	646,526	4.9
National Bank of Washington, D. C.	4,732	4,338	393	454,609	1.0	35	23	12	19,772	19,502	270	454,446	4.4
Union Trust Co.	3,584	3,584	....	199,153	1.8	16	16	...	3,410	3,410	...	186,782	1.8
First National Bank of Washington	1,084	988	96	118,804	0.9	19	13	6	663	621	42	105,077	0.6
National Savings & Trust Co.	516	516	...	232,631	0.2	10	10	...	485	485	...	221,243	0.2
MARYLAND													
First National Bank, Baltimore	82,364	79,934	2,431	661,143	12.5	323	222	101	86,219	84,143	2,076	603,542	15.9
Maryland National Bank, Baltimore	30,278	28,905	1,373	1,004,316	3.0	196	144	52	28,066	...	...	917,772	3.1
Equitable Trust Co., Baltimore	27,495	25,244	2,252	570,450	4.8	144	128	16	25,409	25,097	312	489,233	5.2
Union Trust Co., Baltimore	19,548	18,653	895	441,781	4.4	138	90	48	25,701	24,850	851	426,616	6.0
Mercantile-Safe Dep. & Tr. Co., Baltimore	8,106	8,074	33	250,678	3.2	..	...	...	7,147	7,096	51	203,649	3.5
American NB of Maryland, Silver Spring	3,732	3,732	....	119,262	3.1	5	5	...	...	...	...	108,206	..
Suburban Trust Co., Hyattsville	512	512	....	534,818	0.1	8	8	...	355	355	...	469,634	0.1
NORTH CAROLINA													
Wachovia B&T Co. NA, Winston-Salem	113,273	98,555	14,718	1,400,179	8.1	452	343	109	99,390	...	...	1,282,991	7.7
North Carolina NB, Charlotte	92,379	91,157	1,214	1,108,640	8.3	301	282	19	92,453	92,221	232	1,014,461	9.1
First Union NB, Charlotte	33,746	33,321	425	903,708	4.3	143	124	19	25,253	24,508	745	852,099	3.0
First-Citizens B&T Co., Smithfield	30,274	30,274	....	627,569	4.8	199	199	...	35,760	35,760	...	607,723	5.9
Branch Banking & Trust Co., Wilson	11,269	11,269	....	217,557	5.2	72	72	...	11,287	11,287	...	203,958	5.5
Northwestern Bank, North Wilkesboro	2,558	2,558	....	459,347	0.6	8	8	...	1,619	1,619	...	411,602	0.4
Southern NB of N. C., Lumberton	943	....	....	179,033	0.5	18	...	...	...	...	...	...	..
SOUTH CAROLINA													
South Carolina NB, Charleston	10,976	9,861	1,115	561,726	2.2	117	104	13	8,927	8,615	312	[illegible]	[illegible]
Bankers Trust Co. of S. C., Greenwood	7,575	7,575	....	187,511	4.0	68	68	...	10,141	10,141	...	169,[illegible]	6.1
Citizens & Southern NB of S. C., Charleston	5,361	5,361	....	396,401	1.8	44	44	...	6,406	6,406	...	279,347	2.3
First National Bank, Columbia	2,594	2,594	....	220,827	1.2	45	45	...	2,772	2,772	...	198,317	1.4
Peoples National Bank, Greenville	702	702	....	88,191	0.8	8	8	...	765	765	...	76,674	1.0
VIRGINIA													
United Va. Bk/State Planters, Richmond	43,737	43,737	....	429,589	10.2	..	...	...	45,805	45,805	...	394,690	11.6
First & Merchants Nat'l Bank, Richmond	40,343	40,190	153	734,231	5.5	222	218	4	40,451	40,100	351	644,685	6.3
Bank of Virginia, Richmond	24,788	24,735	53	356,650	7.0	135	134	1	23,850	23,850	...	323,569	7.4
Virginia National Bank, Norfolk	15,046	14,968	78	678,654	2.2	..	...	...	14,674	14,359	315	724,235	2.0
First National Exchange Bank, Roanoke	18,581	18,581	....	424,036	4.4	181	181	...	20,231	20,231	...	375,041	5.4
Central National Bank, Richmond	8,277	8,277	....	187,194	4.4	..	...	...	10,511	10,511	...	168,631	6.3
Colonial-American NB, Roanoke	3,948	3,948	....	93,191	4.2	21	21	...	4,014	4,014	...	81,528	4.9
Metropolitan National Bank, Richmond	1,048	1,048	....	29,629	3.6	10	10	...	1,169	...	...	24,127	4.3
United Va. Bk/Seaboard Nat'l, Norfolk	967	967	....	134,715	0.8	24	24	...	1,559	1,559	...	145,183	0.4
Fidelity National Bank, Lynchburg	793	793	....	201,346	0.4	16	16	...	593	593	...	187,856	0.3
WEST VIRGINIA													
Charleston National Bank	24,238	24,238	....	144,330	16.8	100	100	...	15,586	15,586	...	128,075	12.2
Kanawha Valley Bank, Charleston	7,674	7,674	....	117,043	6.6	62	62	...	6,804	6,804	...	102,662	6.7
First Huntington National Bank	3,289	3,289	....	82,930	4.0	37	37	...	3,122	3,122	...	79,617	3.9
National Bank of Commerce, Charleston	3,115	3,115	....	53,893	5.8	40	40	...	1,765	1,765	...	42,778	4.1
First National Bank, Bluefield	1,362	1,362	....	37,653	3.6	18	18	...	1,336	1,336	...	37,047	3.6
Union National Bank, Clarksburg	1,180	1,180	....	58,021	2.0	27	27	...	815	815	...	50,764	1.6
Empire National Bank, Clarksburg	982	982	....	31,883	3.1	9	9	...	614	...	...	28,043	2.2

FEDERAL RESERVE DISTRICT No. 6

ALABAMA													
First National Bank, Birmingham	48,466	48,466	....	556,585	8.7	263	263	...	46,119	46,119	...	515,106	9.0
Central Bank & Trust Co., Birmingham	23,365	23,365	....	107,659	21.7	198	198	...	17,809	17,809	...	93,410	19.1
Birmingham Trust National Bank	19,270	19,270	....	305,052	6.3	216	216	...	16,403	16,403	...	282,303	5.8
First National Bank, Montgomery	17,138	17,138	....	179,821	9.5	168	168	...	17,586	17,586	...	172,282	10.2
First National Bank, Mobile	9,564	9,141	422	174,767	5.5	142	120	22	7,834	7,308	526	166,216	4.7
Merchants National Bank, Mobile	8,611	8,406	205	189,186	4.6	116	100	16	8,567	8,240	327	175,655	4.9
First National Bank, Dothan	7,057	....	....	54,567	12.9	32	...	...	5,526	...	...	46,456	12.8
State National Bank, Decatur	3,692	....	....	211,671	1.7	28	...	...	7,836	7,836	...	193,694	3.6
Exchange Security Bank, Birmingham	3,343	3,343	....	144,978	2.3	48	48	...	4,786	4,786	...	133,365	3.6
First National Bank, Anniston	1,051	1,051	....	48,253	2.2	5	5	...	1,249	...	...	47,325	2.6
Union Bank & Trust Co., Montgomery	1,011	1,011	....	89,527	1.1	21	21	...	788	788	...	86,583	0.9

Ohio National Bank, Columbus	7,876	7,544	332	632,372	1.2	124	114	10	9,055	8,859	196	647,371	1.4
City National Bk. & Tr. Co., Columbus	5,117	5,117	...	375,726	1.4	97	97	...	4,624	4,589	35	358,325	1.3
Ohio Citizens Trust Co., Toledo	4,042	4,042	...	185,545	2.2	67	67	...	5,504	5,504	...	176,411	3.1
First National Bank of Toledo	2,206	1,413	792	205,194	1.1	56	14	42	2,298	1,668	630	203,857	1.1
First National Bank of Dayton	1,131	1,109	22	180,981	0.6	16	15	1	960	960	...	165,174	0.6
Park National Bank, Newark	1,009	1,009	...	82,490	1.2	5	5	...	...	...	...	...	..
First National Bank, Akron	938	959	29	470,179	0.2	13	12	1	415	399	16	449,486	0.1
First National Bank, Canton	974	...	...	141,644	0.7	5	...	...	...	...	...	...	..
Third NB & Tr. Co., Dayton	521	521	...	193,287	0.3	9	9	...	1,115	1,115	...	179,131	0.6
PENNSYLVANIA													
Mellon Nat'l Bk & Tr. Co., Pittsburgh	177,078	...	...	3,771,313	4.7	...	...	...	138,700	129,150	9,550	3,117,057	4.4
Pittsburgh National Bank	56,049	53,159	2,890	1,438,094	3.9	..	...	...	47,661	44,514	3,147	1,357,219	3.5
Western Pennsylvania NB, Pittsburgh	13,706	12,225	1,481	756,810	1.8	..	...	...	11,358	10,268	1,107	740,328	1.5
Union National Bank, Pittsburgh	6,433	....	....	647,211	1.0	..	...	...	6,359	...	...	474,049	1.3
Pennsylvania Bk. & Tr. Co., Titusville	657	657	....	114,263	0.6	2	2	...	297	297	...	104,690	0.3
WEST VIRGINIA													
Wheeling Dollar Savings & Trust Co.	1,075	1,075	....	68,847	1.6	25	25	...	999	999	...	64,880	1.5

FEDERAL RESERVE DISTRICT No. 5

DISTRICT OF COLUMBIA													
Riggs National Bank	35,402	31,005	4,396	851,607	4.2	..	...	...	46,254	42,742	3,512	828,636	5.6
American Security & Trust Co.	22,223	19,731	2,492	680,587	3.3	..	...	...	31,444	29,909	1,535	646,526	4.9
National Bank of Washington, D. C.	4,732	4,338	393	454,609	1.0	35	23	12	19,772	19,502	270	454,446	4.4
Union Trust Co.	3,584	3,584	....	199,193	1.8	16	16	...	3,410	3,410	...	186,782	1.8
First National Bank of Washington	1,084	988	96	118,804	0.9	19	13	6	663	621	42	105,077	0.6
National Savings & Trust Co.	516	516	...	232,631	0.2	10	10	...	485	485	...	221,243	0.2
MARYLAND													
First National Bank, Baltimore	82,364	79,934	2,431	661,143	12.5	323	222	101	96,219	94,143	2,076	603,542	15.9
Maryland National Bank, Baltimore	30,278	28,905	1,373	1,004,316	3.0	196	144	52	28,066	...	...	917,772	3.1
Equitable Trust Co., Baltimore	27,496	25,244	2,252	570,450	4.8	144	128	16	25,409	25,097	312	489,233	5.2
Union Trust Co., Baltimore	19,548	18,863	686	441,781	4.4	138	90	48	25,701	24,850	851	426,616	6.0
Mercantile-Safe Dep. & Tr. Co., Baltimore	8,106	8,074	33	250,678	3.2	..	...	...	7,147	7,096	51	203,649	3.5
American NB of Maryland, Silver Spring	3,732	3,732	....	119,262	3.1	6	6	...	...	...	...	108,206	..
Suburban Trust Co., Hyattsville	512	512	....	534,818	0.1	8	8	...	355	355	...	469,634	0.1
NORTH CAROLINA													
Wachovia B&T Co. NA, Winston-Salem	113,273	98,555	14,718	1,400,179	8.1	452	343	109	99,390	...	...	1,282,991	7.7
North Carolina NB, Charlotte	92,370	91,157	1,214	1,108,640	8.3	301	282	19	92,453	92,221	232	1,014,461	9.1
First Union NB, Charlotte	38,746	38,321	425	900,708	4.3	143	124	19	25,253	24,508	745	852,099	3.0
First-Citizens B&T Co., Smithfield	30,274	30,274	....	627,969	4.8	190	190	...	35,760	35,760	...	607,723	5.9
Branch Banking & Trust Co., Wilson	11,269	11,269	....	217,957	5.2	72	72	...	11,207	11,207	...	203,958	5.5
Northwestern Bank, North Wilkesboro	2,558	2,558	....	459,347	0.6	8	8	...	1,619	1,619	...	411,602	0.4
Southern NB of N. C., Lumberton	948	....	....	179,033	0.5	18	...	...	...	...	...	...	..
SOUTH CAROLINA													
South Carolina NB, Charleston	10,976	9,861	1,115	501,724	2.2	117	104	13	8,927	8,615	312	[illegible]	[illegible]
Bankers Trust Co. of S. C., Greenwood	7,575	7,575	....	167,511	4.0	65	65	...	10,141	10,141	...	160,884	6.1
Citizens & Southern NB of S. C., Charleston	5,361	5,361	....	306,401	1.8	44	44	...	6,406	6,406	...	279,347	2.3
First National Bank, Columbia	2,594	2,594	....	220,827	1.2	45	45	...	2,772	2,772	...	198,317	1.4
Peoples National Bank, Greenville	702	702	....	88,191	0.8	8	8	...	765	765	...	76,674	1.0
VIRGINIA													
United Va. Bk/State Planters, Richmond	43,737	43,737	....	429,589	10.2	..	...	...	45,805	45,805	...	394,690	11.6
First & Merchants Nat'l Bank, Richmond	40,343	40,190	153	734,231	5.5	222	218	4	40,451	40,100	351	644,685	6.3
Bank of Virginia, Richmond	24,788	24,735	53	356,650	7.0	135	134	1	23,850	23,850	...	323,569	7.4
Virginia National Bank, Norfolk	19,046	18,968	78	876,654	2.2	..	...	...	14,674	14,359	315	724,235	2.0
First National Exchange Bank, Roanoke	18,581	18,581	....	424,036	4.4	101	101	...	20,231	20,231	...	379,041	5.4
Central National Bank, Richmond	8,277	8,277	....	187,194	4.4	..	...	...	10,511	10,511	...	168,631	6.3
Colonial-American NB, Roanoke	3,948	3,948	....	93,191	4.2	21	21	...	4,014	4,014	...	81,528	4.9
Metropolitan National Bank, Richmond	1,048	1,048	....	29,029	3.6	10	10	...	1,169	...	...	24,127	4.3
United Va. Bk/Seaboard Nat'l, Norfolk	967	967	....	154,715	0.6	24	24	...	1,559	1,559	...	145,183	0.4
Fidelity National Bank, Lynchburg	793	793	....	201,346	0.4	16	16	...	593	593	...	187,856	0.3
WEST VIRGINIA													
Charleston National Bank	24,238	24,238	....	144,330	16.8	100	100	...	15,586	15,586	...	128,075	12.2
Kanawha Valley Bank, Charleston	7,674	7,674	....	117,043	6.6	62	62	...	6,884	6,884	...	102,662	6.7
First Huntington National Bank	3,289	3,289	....	82,530	4.0	37	37	...	3,122	3,122	...	79,617	3.9
National Bank of Commerce, Charleston	3,115	3,115	....	53,893	5.8	40	40	...	1,765	1,765	...	42,776	4.1
First National Bank, Bluefield	1,362	1,362	....	37,653	3.6	18	18	...	1,336	1,336	...	37,047	3.6
Union National Bank, Clarksburg	1,180	1,180	....	58,021	2.0	27	27	...	815	815	...	50,764	1.6
Empire National Bank, Clarksburg	982	982	....	31,888	3.1	9	9	...	614	...	...	28,043	2.2

FEDERAL RESERVE DISTRICT No. 6

ALABAMA													
First National Bank, Birmingham	48,466	48,466	....	556,985	8.7	263	263	...	46,119	46,119	...	515,106	9.0
Central Bank & Trust Co., Birmingham	23,365	23,365	....	107,659	21.7	198	198	...	17,809	17,809	...	93,410	19.1
Birmingham Trust National Bank	19,270	19,270	....	305,052	6.3	216	216	...	16,403	16,403	...	282,303	5.8
First National Bank, Montgomery	17,138	17,138	....	179,821	9.5	168	168	...	17,586	17,586	...	172,282	10.2
First National Bank, Mobile	9,564	9,141	422	174,767	5.5	142	120	22	7,834	7,308	526	166,216	4.7
Merchants National Bank, Mobile	8,611	8,406	205	189,186	4.6	116	100	16	8,567	8,240	327	175,655	4.9
First National Bank, Dothan	7,057	....	....	54,567	12.9	32	...	...	5,526	...	...	46,496	12.8
State National Bank, Decatur	3,692	....	....	211,671	1.7	28	...	...	7,036	7,036	...	193,094	3.6
Exchange Security Bank, Birmingham	3,343	3,343	....	144,978	2.3	48	48	...	4,786	4,786	...	133,365	3.0
First National Bank, Anniston	1,051	1,051	....	48,253	2.2	5	5	...	1,249	...	...	47,325	2.6
Union Bank & Trust Co., Montgomery	1,011	1,011	....	89,927	1.1	21	21	...	785	785	...	86,568	0.9
American National B&T Co., Mobile	858	808	49	55,908	1.5	30	23	7	1,183	1,149	34	51,378	2.3
FLORIDA													
First National Bank, Miami	118,845	111,167	7,777	670,987	17.7	441	279	162	119,758	112,849	6,909	645,333	18.5
Florida National Bank, Jacksonville	53,712	53,579	133	239,518	22.4	186	172	14	65,177	65,083	94	242,798	26.8
Atlantic National Bank, Jacksonville	51,345	51,270	75	254,253	20.2	230	222	8	40,289	40,171	118	260,497	15.5
First National Bank, Tampa	41,675	41,303	372	209,190	19.9	80	71	9	44,595	44,450	145	198,929	22.4
Florida National Bank & Trust Co., Miami	39,668	39,125	543	161,363	24.6	91	84	7	55,522	55,461	61	151,138	36.7
First National Bank, Orlando	37,842	37,842	....	185,349	20.3	67	67	...	34,892	34,892	...	171,938	20.3
Exchange National Bank, Tampa	36,626	36,504	121	187,990	19.5	73	70	3	36,765	36,765	...	168,740	21.8
First National Bank, Fort Lauderdale	33,409	33,409	....	152,426	21.9	56	56	...	35,308	35,308	...	151,457	23.3
Barnett First National Bank, Jacksonville	21,734	....	....	184,072	11.8	169	...	...	19,183	19,183	...	172,331	11.1
Marine Bank & Trust Co., Tampa	18,658	18,006	652	100,605	18.5	89	65	24	13,393	12,975	418	102,328	13.1
City National Bank, Miami	11,250	11,003	247	133,870	8.4	16	10	6	15,400	15,194	206	146,724	10.5
Miami Beach First Nat'l Bank	5,356	5,329	27	144,483	3.7	18	17	1	6,704	6,681	23	128,532	5.2
First National Bank, St. Petersburg, Fla.	4,226	4,226	....	136,272	3.1	20	20	...	6,737	6,712	25	138,109	4.9

*—All figures exclude deposits in overseas branches unless otherwise noted. Components may not add to totals due to rounding. ‡—Includes subsidiaries.
§—Includes foreign branches. ¶—Under $500.

1970 CORRESPONDENT BANKING SURVEY

BANKS WITH CORRESPONDENT DEPOSITS OVER $500,000 (,000's omitted in $ figures)*

AS REPORTED SEPT. 30 1970 AND SEPT. 30 OR OCT. 1, 1969

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RESERVE DISTRICT NO. 7, Continued	September 30, 1970								Sept. 30 or Oct. 1, 1969				
	Due to Banks			Total Deposits	D. to B. to T'tl Dep.	No. Corresp. Banks			Due to Banks			Total Deps.	D. to B. to T'tl Dep.
	Total $	Dom. $	Fgn. $	$	%	Total	Dom.	Fgn.	Total $	Dom. $	Fgn. $	$	%
IOWA													
Central National B&T Co., Des Moines	69,432	69,432	...	195,996	35.4	...	...	...	62,269	62,269	...	181,147	32.6
Iowa-Des Moines National Bank	65,964	65,964	...	268,440	24.6	395	395	...	70,200	70,200	...	225,000	31.2
Merchants National Bank, Cedar Rapids	41,623	41,482	140	154,008	27.0	300	297	3	41,099	41,074	25	142,874	28.8
Security National Bank, Sioux City	17,151	17,151	...	80,970	21.2	114	114	...	14,293	14,293	...	75,637	18.9
First National Bank, Sioux City	10,057	10,057	...	73,334	13.7	78	78	...	8,271	8,271	...	61,200	13.5
National Bank of Waterloo	9,616	9,616	...	66,610	14.4	48	48	...	7,228	7,228	...	59,319	12.2
Northwestern National Bank, Sioux City	9,462	9,462	...	44,407	21.3	...	...	...	8,513	...	...	42,237	20.2
Davenport Bank & Trust Co.	9,095	9,095	...	155,518	5.8	56	56	...	...	...	...	...	..
Toy National Bank, Sioux City	9,087	9,087	...	49,031	18.5	...	...	...	10,534	10,534	...	46,575	22.6
Bankers Trust Co., Des Moines	9,061	9,061	...	123,346	7.3	90	90	...	11,331	11,331	...	126,725	8.9
American Trust & Savings Bank, Dubuque	5,311	5,311	...	63,023	8.4	76	76	...	5,452	...	...	55,489	9.8
First National Bank, Mason City	2,601	2,601	...	49,555	5.2	30	30	...	2,359	2,359	...	47,269	4.9
Union Bank & Trust Co., Ottumwa	1,933	1,933	...	42,911	4.5	24	24	...	2,314	2,314	...	39,624	5.8
National Bank of Des Moines	1,760	1,760	...	20,318	8.7	13	13	...	916	916	...	18,953	4.9
Capital City State Bank, Des Moines	1,587	...	...	38,250	4.1	21	...	...	...	...	...	...	..
Valley Bank & Trust Co., Des Moines	1,199	1,199	...	44,017	2.7	19	19	...	1,508	1,508	...	42,086	3.6
Council Bluffs Savings Bank	872	872	...	47,255	1.8	17	17	...	869	869	...	47,828	1.8
MICHIGAN													
National Bank of Detroit	198,820	185,122	13,699	3,325,626	6.0	695	567	128	199,467	189,863	9,603	3,171,573	6.3
Detroit Bank & Trust Co.	51,098	...	...	1,831,031	2.8	...	...	...	57,490	...	...	1,853,350	3.1
Manufacturers National Bank, Detroit	39,514	35,968	3,546	1,748,228	2.3	301	214	87	38,336	33,047	5,288	1,654,311	2.3
Bank of the Commonwealth, Detroit	14,264	13,054	1,211	1,042,190	1.4	90	57	33	31,642	17,550	14,092	1,126,743	2.8
Michigan Bank NA, Detroit	11,027	10,438	590	632,097	1.7	32	29	3	14,221	13,340	881	568,724	2.5
City National Bank, Detroit	7,441	3,938	3,504	423,452	1.8	76	44	32	5,285	...	...	460,697	1.1
American Bank & Trust Co., Lansing	4,784	4,784	....	153,958	3.1	3	3	...	556	556	...	145,286	0.4
Michigan National Bank, Lansing	4,547	4,268	280	1,070,081	0.4	43	40	3	5,286	5,242	44	1,047,039	0.5
Union Bank & Trust NA, Grand Rapids	2,866	2,866	....	249,153	1.2	27	27	...	2,254	2,254	...	232,350	1.0
Old Kent Bank & Trust Co., Grand Rapids	2,683	2,683	....	534,048	0.5	51	51	...	4,198	4,198	...	506,255	0.8
Second National Bank, Saginaw	1,296	1,296	....	198,883	0.7	33	33	...	2,150	2,150	...	184,424	1.2
Genesee Merchants Bank & Trust Co., Flint	1,073	1,073	....	324,587	0.3	15	15	...	1,047	1,047	...	307,390	0.3
Peoples National Bank & Trust Co., Bay City	915	915	....	136,007	0.7	10	10	...	594	594	...	129,543	0.5
Ann Arbor Bank	829	829	....	132,882	0.6	8	8	...	1,350	1,350	...	126,761	1.1
WISCONSIN													
First Wisconsin National Bank, Milwaukee	161,286	102,863	58,423	1,028,086	15.7	..	...	...	275,367	99,075	176,292	1,034,234	26.6
Marshall & Ilsley Bank, Milwaukee	49,970	49,197	774	418,821	11.9	..	...	...	47,224	46,430	793	360,274	13.1
Marine National Exchange Bank, Milwaukee	38,614	38,047	567	262,986	14.4	..	...	...	37,110	36,596	513	228,281	16.3
Bank of Madison	9,865	9,865	....	60,196	16.4	64	64	...	9,744	9,744	...	57,440	17.0
American City Bank & Trust Co., Milwaukee	8,116	8,054	63	107,262	7.6	30	27	3	...	...	...	...	..
First American National Bank, Wausau	7,085	7,085	....	87,687	8.1	..	...	...	6,552	6,552	...	85,467	7.7
Kellogg-Citizens National Bank, Green Bay	6,082	6,082	....	105,335	5.8	46	46	...	4,054	4,054	...	96,134	4.2
Midland National Bank, Milwaukee	4,253	4,253	....	86,471	4.9	43	43	...	6,289	6,289	...	56,998	11.0
Citizens Bank, Sheboygan	4,230	4,230	....	91,828	4.6	35	35	...	4,179	4,179	...	90,305	4.6
First National Bank & Trust Co., Racine	1,306	1,306	....	81,522	1.6	5	5	...	1,331	1,331	...	82,132	1.6
Security First National Bank, Sheboygan	1,215	1,215	....	61,741	2.0	17	17	...	1,011	1,011	...	55,082	1.8
First National Bank of Wauwesha	869	....	....	94,408	0.9	10	...	...	726	726	...	86,831	0.8
First Wisconsin National Bank, Madison	850	850	....	166,652	0.5	22	22	...	913	913	...	141,948	0.6
Beloit State Bank	538	538	....	51,582	1.0	3	3	...	200	200	...	49,425	0.4
American Bank & Trust Co., Racine	504	504	....	42,172	1.2	3	3	...	898	898	...	38,892	2.3

FEDERAL RESERVE DISTRICT NO. 8

ARKANSAS													
Worthen Bank & Trust Co., Little Rock	29,787	29,787	....	186,129	15.8	215	215	...	27,457	27,457	...	170,172	16.1
First National Bank, Little Rock	22,622	22,622	....	121,844	18.6	160	160	...	22,387	22,387	...	116,621	19.2
Commercial National Bank, Little Rock	14,860	14,860	....	72,307	20.6	151	151	...	15,084	15,084	...	67,406	22.4
Union National Bank, Little Rock	10,803	10,803	....	80,957	12.4	159	159	...	18,521	18,521	...	113,163	16.4
Simmons First National Bank, Pine Bluff	8,389	8,389	....	77,687	10.8	97	97	...	7,336	7,336	...	70,688	10.4
State First National Bank, Texarkana	5,351	5,351	....	60,071	7.9	43	43	...	4,824	4,824	...	58,651	8.2
First National Bank, Fort Smith	3,495	3,495	....	62,107	5.6	32	32	...	2,948	2,948	...	54,857	5.4
National Bank of Commerce, Pine Bluff	3,202	....	....	48,429	6.6	54	...	...	3,391	3,391	...	44,472	7.6
Merchants National Bank, Fort Smith	2,645	....	....	41,794	6.3	31	...	...	2,484	2,484	...	38,434	6.5
City National Bank, Fort Smith	2,575	2,575	....	35,964	7.2	15	15	...	2,822	2,822	...	33,756	8.3
ILLINOIS													
National Stock Yards National Bank	107,819	107,819	....	124,238	86.8	669	669	...	120,560	120,560	...	137,971	87.4
First Bank & Trust Co., Mt. Vernon	950	...	...	37,983	2.5	14	...	...	891	...	...	36,932	2.4
Mercantile Trust & Savings Bank, Quincy	891	891	....	35,471	2.3	23	23	...	923	923	...	36,554	2.5
INDIANA													
National City Bank, Evansville	7,630	7,630	....	72,822	10.5	..	...	...	8,175	8,175	...	73,630	11.1
Old National Bank, Evansville	5,778	5,778	....	131,077	4.4	74	74	...	5,813	5,813	...	131,388	4.4
Citizens National Bank, Evansville	4,703	4,703	....	104,907	4.5	43	43	...	4,101	...	...	102,274	4.0
KENTUCKY													
Citizens Fidelity B&T Co., Louisville	98,212	98,212	....	460,754	21.3	437	437	...	109,130	109,080	50	425,751	25.6
First National Bank, Louisville	51,788	51,788	....	417,586	12.4	...	...	...	46,099	46,099	...	396,649	11.6
Louisville Trust Co.	23,097	23,069	28	127,838	18.1	225	224	1	22,179	22,169	10	118,330	18.7
Bank of Louisville	5,492	5,492	....	199,084	2.8	133	133	...	1,735	1,735	...	186,324	0.9
Owensboro National Bank	594	594	....	59,608	1.0	16	16	...	250	250	...	55,834	0.4
MISSOURI													
First National Bank, St. Louis	166,479	165,187	1,292	747,835	22.3	887	850	37	173,688	173,321	367	726,727	23.9
Mercantile Trust Co. NA, St. Louis	153,634	150,709	2,925	885,492	17.3	1,104	1,051	53	156,688	154,766	1,922	901,752	17.4
Bank of St. Louis	35,022	35,022	....	160,388	21.8	233	233	...	36,187	36,187	...	161,825	22.3
Boatmen's National Bank, St. Louis	27,414	27,386	29	274,286	10.0	..	...	...	25,323	25,287	36	265,448	9.5
Union National Bank, Springfield	9,854	9,854	....	93,058	10.6	78	78	...	10,442	10,442	...	92,434	11.3
St. Louis County Nat'l Bank, Clayton	3,320	3,320	....	150,789	2.2	16	16	...	3,892	3,892	...	141,957	2.7
Tower Grove Bank & Trust Co., St. Louis	1,999	1,999	....	120,660	1.7	20	20	...	1,360	1,360	...	117,180	1.2
Manchester Bank of St. Louis	1,618	1,618	....	86,918	1.7	23	23	...	1,538	1,538	...	86,595	1.8

[illegible] National Bank	65,964	65,964	...	268,440	24.6	399	399	...	70,200	70,200	...	225,000	31.2
Merchants National Bank, Cedar Rapids	41,623	41,482	140	154,008	27.0	300	297	3	41,099	41,074	25	142,874	28.8
Security National Bank, Sioux City	17,151	17,151	...	80,970	21.2	114	114	...	14,293	14,293	...	75,637	18.9
First National Bank, Sioux City	10,057	10,057	....	73,334	13.7	78	78	...	8,271	8,271	...	61,200	13.5
National Bank of Waterloo	9,616	9,616	...	66,610	14.4	48	48	...	7,228	7,228	...	59,319	12.2
Northwestern National Bank, Sioux City	9,462	9,462	...	44,407	21.3	...	...	...	8,513	...	...	42,237	20.2
Davenport Bank & Trust Co.	9,095	9,095	...	155,518	5.8	56	56	...	...	...	...	...	..
Toy National Bank, Sioux City	9,087	9,087	...	49,031	18.5	...	...	...	10,534	10,534	...	46,575	22.6
Bankers Trust Co., Des Moines	9,061	9,061	...	123,346	7.3	90	90	...	11,331	11,331	...	126,725	8.9
American Trust & Savings Bank, Dubuque	5,311	5,311	...	63,023	8.4	76	76	...	5,452	...	...	55,489	9.8
First National Bank, Mason City	2,601	2,601	...	49,555	5.2	30	30	...	2,359	2,359	...	47,869	4.9
Union Bank & Trust Co., Ottumwa	1,933	1,933	....	42,911	4.5	24	24	...	2,314	2,314	...	39,624	5.8
National Bank of Des Moines	1,760	1,760	...	20,318	8.7	13	13	...	916	916	...	18,953	4.9
Capital City State Bank, Des Moines	1,587	...	...	38,250	4.1	21	...	...	...	...	...	...	..
Valley Bank & Trust Co., Des Moines	1,199	1,199	...	44,017	2.7	19	19	...	1,508	1,508	...	42,086	3.6
Council Bluffs Savings Bank	872	872	...	47,255	1.8	17	17	...	869	869	...	47,828	1.8
MICHIGAN													
National Bank of Detroit	198,820	185,122	13,699	3,325,626	6.0	695	567	128	199,467	189,863	9,603	3,171,573	6.3
Detroit Bank & Trust Co.	51,098	....	....	1,831,031	2.8	..	....	....	57,490	....	....	1,853,350	3.1
Manufacturers National Bank, Detroit	39,514	35,968	3,546	1,748,228	2.3	301	214	87	38,336	33,047	5,288	1,654,311	2.3
Bank of the Commonwealth, Detroit	14,264	13,054	1,211	1,042,190	1.4	90	57	33	31,642	17,550	14,092	1,126,743	2.9
Michigan Bank NA, Detroit	11,027	10,438	590	632,097	1.7	32	29	3	14,221	13,340	881	568,724	2.5
City National Bank, Detroit	7,441	3,938	3,504	423,452	1.8	76	44	32	5,285	...	...	460,697	1.1
American Bank & Trust Co., Lansing	4,784	4,784	....	153,958	3.1	3	3	...	556	556	...	145,286	0.4
Michigan National Bank, Lansing	4,547	4,268	280	1,070,081	0.4	43	40	3	5,286	5,242	44	1,047,039	0.5
Union Bank & Trust NA, Grand Rapids	2,866	2,866	....	249,153	1.2	27	27	...	2,254	2,254	...	232,350	1.0
Old Kent Bank & Trust Co., Grand Rapids	2,683	2,683	....	534,048	0.5	51	51	...	4,198	4,193	...	506,295	0.8
Second National Bank, Saginaw	1,296	1,296	....	198,883	0.7	33	33	...	2,150	2,150	...	184,424	1.2
Genesee Merchants Bank & Trust Co., Flint	1,073	1,073	....	324,587	0.3	15	15	...	1,047	1,047	...	307,390	0.3
Peoples National Bank & Trust Co., Bay City	915	915	....	136,007	0.7	10	10	...	594	594	...	129,543	0.5
Ann Arbor Bank	829	829	....	132,882	0.6	8	8	...	1,350	1,350	...	126,761	1.1
WISCONSIN													
First Wisconsin National Bank, Milwaukee	161,286	102,863	58,423	1,028,086	15.7	..	....	...	275,367	99,075	176,292	1,034,234	26.6
Marshall & Ilsley Bank, Milwaukee	49,970	49,197	774	418,821	11.9	..	....	...	47,224	46,430	793	360,274	13.1
Marine National Exchange Bank, Milwaukee	38,614	38,047	567	262,986	14.4	..	....	...	37,110	36,596	513	228,281	16.3
Bank of Madison	9,865	9,865	....	60,196	16.4	64	64	...	9,744	9,744	...	57,440	17.0
American City Bank & Trust Co., Milwaukee	8,116	8,054	63	107,262	7.6	30	27	3	....	....	....	....	..
First American National Bank, Wausau	7,065	7,065	....	87,687	8.1	..	....	...	6,552	6,552	...	85,467	7.7
Kellogg-Citizens National Bank, Green Bay	6,082	6,082	....	105,335	5.8	46	46	...	4,054	4,054	...	96,134	4.2
Midland National Bank, Milwaukee	4,253	4,253	....	86,471	4.9	43	43	...	6,289	6,289	...	56,998	11.0
Citizens Bank, Sheboygan	4,230	4,230	....	91,828	4.6	35	35	...	4,179	4,179	...	90,305	4.6
First National Bank & Trust Co., Racine	1,306	1,306	....	81,522	1.6	5	5	...	1,331	1,331	...	82,132	1.6
Security First National Bank, Sheboygan	1,215	1,215	....	61,741	2.0	17	17	...	1,011	1,011	...	55,082	1.8
First National Bank of Waukesha	669	...	....	94,408	0.9	10	...	...	726	726	...	86,831	0.8
First Wisconsin National Bank, Madison	650	650	....	166,652	0.5	22	22	...	913	913	...	141,948	0.6
Beloit State Bank	538	538	....	51,552	1.0	3	3	...	200	200	...	49,426	0.4
American Bank & Trust Co., Racine	504	504	....	42,172	1.2	3	3	...	898	898	...	38,892	2.3

FEDERAL RESERVE DISTRICT No. 8

ARKANSAS													
Worthen Bank & Trust Co., Little Rock	29,787	29,787	....	186,129	15.8	215	215	...	27,457	27,457	...	170,172	16.1
First National Bank, Little Rock	22,622	22,622	....	121,844	18.6	160	160	...	22,387	22,387	...	116,621	19.2
Commercial National Bank, Little Rock	14,860	14,860	....	72,307	20.6	151	151	...	15,084	15,024	...	67,409	22.4
Union National Bank, Little Rock	10,803	10,803	....	86,957	12.4	199	199	...	18,521	18,521	...	113,163	16.4
Simmons First National Bank, Pine Bluff	8,389	8,389	....	77,687	10.8	97	97	...	7,336	7,336	...	70,668	10.4
State First National Bank, Texarkana	5,351	5,351	....	68,071	7.9	43	43	...	4,824	4,824	...	58,651	8.2
First National Bank, Fort Smith	3,495	3,495	....	62,107	5.6	32	32	...	2,948	2,948	...	54,857	5.4
National Bank of Commerce, Pine Bluff	3,202	....	....	48,429	6.6	54	...	...	3,391	3,391	...	44,472	7.6
Merchants National Bank, Fort Smith	2,645	....	....	41,794	6.3	31	...	...	2,484	2,484	...	38,434	6.5
City National Bank, Fort Smith	2,575	2,575	....	35,964	7.2	15	15	...	2,822	2,822	...	33,756	8.3
ILLINOIS													
National Stock Yards National Bank	107,819	107,819	....	124,238	86.6	669	669	...	120,560	120,560	...	137,971	87.4
First Bank & Trust Co., Mt. Vernon	950	...	...	37,983	2.5	14	...	...	891	...	...	36,932	2.4
Mercantile Trust & Savings Bank, Quincy	891	891	....	38,471	2.3	23	23	...	923	923	...	36,554	2.5
INDIANA													
National City Bank, Evansville	7,630	7,630	....	72,822	10.5	..	....	...	8,175	8,175	...	73,630	11.1
Old National Bank, Evansville	5,778	5,778	....	131,077	4.4	74	74	...	5,813	5,813	...	131,388	4.4
Citizens National Bank, Evansville	4,703	4,703	....	104,907	4.5	43	43	...	4,101	...	...	102,274	4.0
KENTUCKY													
Citizens Fidelity B&T Co., Louisville	98,212	98,212	....	460,754	21.3	437	437	...	109,130	109,080	50	425,751	25.6
First National Bank, Louisville	51,788	51,788	....	417,596	12.4	....	....	...	46,099	46,099	...	396,649	11.6
Louisville Trust Co.	23,097	23,069	28	127,838	18.1	225	224	1	22,179	22,169	10	118,330	18.7
Bank of Louisville	5,492	5,492	....	199,084	2.8	133	133	...	1,735	1,735	...	186,324	0.9
Owensboro National Bank	594	594	....	59,608	1.0	16	16	...	250	250	...	55,834	0.4
MISSOURI													
First National Bank, St. Louis	166,479	165,187	1,292	747,835	22.3	887	850	37	173,688	173,321	367	726,727	23.9
Mercantile Trust Co. NA, St. Louis	153,634	150,709	2,925	885,492	17.3	1,104	1,051	53	156,688	154,766	1,922	901,752	17.4
Bank of St. Louis	35,022	35,022	....	160,388	21.8	233	233	...	36,187	36,187	...	161,525	22.3
Boatmen's National Bank, St. Louis	27,414	27,386	29	274,286	10.0	..	....	....	25,323	25,287	36	265,418	9.5
Union National Bank, Springfield	9,654	9,654	....	93,058	10.6	78	78	...	10,442	10,442	...	92,434	11.3
St. Louis County Nat'l Bank, Clayton	3,320	3,320	....	150,789	2.2	16	16	...	3,892	3,892	...	141,957	2.7
Tower Grove Bank & Trust Co., St. Louis	1,999	1,999	....	120,660	1.7	20	20	...	1,360	1,360	...	117,180	1.2
Manchester Bank of St. Louis	1,618	1,618	....	94,048	1.7	23	23	...	1,538	1,538	...	86,595	1.8
State Bank & Trust Co., Wellston	938	938	....	83,126	1.1	17	17	...	664	664	...	90,262	0.7
TENNESSEE													
First National Bank, Memphis	84,974	80,623	4,351	636,164	13.4	847	749	98	88,241	85,880	2,361	578,565	15.3
Union Planters National Bank, Memphis	68,628	67,695	932	617,877	11.1	..	....	...	75,100	74,033	1,066	564,141	13.3
National Bank of Commerce, Memphis	29,627	29,275	351	217,428	13.7	285	242	43	29,266	28,661	605	200,165	14.6

FEDERAL RESERVE DISTRICT No. 9

MINNESOTA													
Northwestern National Bank, Minneapolis	141,035	138,890	2,145	805,185	17.5	875	825	50	136,792	134,529	2,264	745,483	18.4
First National Bank, Minneapolis	118,273	112,585	5,388	745,914	15.9	1,066	1,002	64	128,603	113,096	15,507	736,417	17.5
First National Bank, St. Paul	74,718	66,192	8,525	652,523	11.5	709	681	28	67,720	66,845	875	550,247	12.3
Marquette National Bank, Minneapolis	41,877	41,799	78	122,498	34.2	477	476	1	42,000	42,000	...	148,279	28.3

*—All figures exclude deposits in overseas branches unless otherwise noted. Components may not add to totals due to rounding. ‡—Includes subsidiaries.
†—Includes foreign branches. #—Under $500.

1970 CORRESPONDENT BANKING SURVEY

BANKS WITH CORRESPONDENT DEPOSITS OVER $500,000 (,000's omitted in $ figures)*

AS REPORTED SEPT. 30 1970 AND SEPT. 30 OR OCT. 1, 1969

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RESERVE DISTRICT NO. 6, Continued	Sept. 30, 1970 Due to Banks Total $	Dom. $	Fgn. $	Total Deposits $	D. to B. to T'tl Dep. %	No. Corresp. Banks Total	Dom.	Fgn.	Sept. 30 or Oct. 1, 1969 Due to Banks Total $	Dom. $	Fgn. $	Total Deps. $	D. to B. to T'tl Dep. %
Citizens National Bank, Orlando	3,778	....	....	70,935	5.3	23	...	...	2,627	...	...	75,181	3.5
Tallahassee Bank & Trust Co.	3,592	3,592	....	40,373	8.9	46	46	...	6,000	6,000	...	37,288	16.1
First National Bank, Pompano Beach	3,561	....	....	65,052	5.5	9	...	...	3,665	...	...	66,674	5.5
American National Bank, Jacksonville	2,472	2,472	....	67,124	3.7	11	11	...	2,666	2,666	...	59,547	4.5
Pan American Bank, Miami	2,060	993	1,067	77,540	2.7	88	14	74	2,151	969	1,182	72,474	3.0
Florida First National Bank, Pensacola	1,687	1,687	....	35,948	4.7	15	15	...	1,255	1,255	...	35,817	3.5
Florida National Bank, Orlando	1,525	1,525	....	60,427	2.5	10	10	...	472	472	...	55,924	0.8
Broward National Bank, Fort Lauderdale	1,414	1,364	49	97,444	1.5	13	11	2	819	784	35	87,665	0.9
Union Trust National Bank, St. Petersburg	1,321	1,321	....	137,068	1.0	20	20	...	830	830	...	126,838	0.7
Central Bank & Trust Co., Miami	1,012	353	659	65,647	1.5	33	7	26	...	...	...	...	..
Atlantic National Bank, West Palm Beach	801	801	....	56,211	1.4	12	12	...	1,051	1,051	...	50,431	2.1
First National Bank, Palm Beach	740	740	....	83,434	0.9	16	16	...	1,065	1,065	...	75,171	1.4
GEORGIA													
Citizens & Southern Nat'l Bk. of Ga., Savannah	109,083‡	106,567‡	2,516‡	1,309,436‡	8.3	799	690	109	95,794‡	93,251‡	2,543‡	1,317,863‡	7.3
First National Bank, Atlanta	85,022	84,537	485	722,737	11.8	680	664	16	89,489	89,008	481	727,662	12.3
Fulton National Bank, Atlanta	81,244	81,244	....	364,670	22.3	...	...	...	67,562	67,562	...	354,317	19.1
Trust Co. of Georgia, Atlanta	42,105‡	41,530‡	575‡	773,125‡	5.4	488	465	23	42,408‡	41,740‡	668‡	712,632‡	6.0
Georgia Railroad Bank & Trust Co., Augusta	7,997	7,997	....	130,747	6.1	65	65	...	6,325	6,325	...	122,951	5.1
First National Bank & Trust Co., Macon	5,882	5,882	....	86,908	6.1	56	56	...	6,111	6,111	...	80,078	6.8
Savannah Bank & Trust Co.	3,329	3,284	45	92,617	3.6	40	36	4	4,017	3,984	33	86,274	4.7
Liberty National B&T Co., Savannah	2,931	2,931	....	59,447	4.9	35	35	...	1,071	1,071	..	53,009	2.0
First National Bank, Columbus	2,128	2,128	....	80,430	2.6	11	11	...	557	...	...	75,214	0.7
National Bank of Ga., Atlanta	2,059	2,059	....	129,354	1.6	35	35	...	1,952	1,952	...	122,571	1.6
Columbus Bank & Trust Co.	1,923	1,923	....	82,942	2.3	17	17	...	1,660	1,660	...	79,742	2.1
Citizens & Southern Bank, Albany	1,693	....	....	50,771	3.3	30	...	...	2,515	...	...	51,112	4.9
LOUISIANA													
National Bank of Commerce, New Orleans	60,533	59,415	1,118	381,097	15.8	353	304	49	52,076	50,905	1,172	323,315	16.1
Whitney National Bank, New Orleans	51,700	46,776	4,924	575,864	9.0	...	...	...	52,765	50,008	2,757	566,343	9.3
Hibernia National Bank, New Orleans	39,990	37,337	2,653	303,905	13.2	297	220	77	45,424	43,095	2,329	278,889	16.3
American Bank & Trust Co., Baton Rouge	38,975	38,975	....	212,159	18.4	157	157	...	32,553	32,553	....	259,375	12.6
Bank of New Orleans & Trust Co.	32,657	32,045	13	166,272	19.0	...	...	...	28,093	28,093	...	148,582	18.9
Guaranty Bank & Trust Co., Alexandria	19,040	19,040	....	81,005	23.5	110	110	...	29,980	29,980	...	84,049	35.7
National American Bank, New Orleans	18,324	18,031	293	174,859	10.5	140	128	12	25,796	25,639	157	200,576	12.9
Louisiana National Bank, Baton Rouge	5,026	5,026	....	182,673	2.8	63	63	...	7,501	7,501	...	163,360	4.6
Fidelity National Bank, Baton Rouge	1,806	1,806	....	128,826	1.4	31	31	...	1,260	1,260	...	119,426	1.1
First National Bank, Lafayette	1,263	....	....	55,284	2.3	21	...	...	1,242	1,242	...	46,478	2.7
City National Bank, Baton Rouge	1,262	....	....	101,299	1.2	29	...	...	1,012	1,012	...	88,572	1.1
MISSISSIPPI													
Deposit Guaranty National Bank, Jackson	48,187	48,187	....	387,631	12.4	224	224	...	43,153	...	...	333,749	12.9
First National Bank, Jackson	28,632	28,632	....	322,365	8.9	220	220	...	35,035	...	...	319,367	11.3
Merchants & Farmers Bank, Meridian	3,213	3,213	....	32,614	9.9	24	24	...	4,094	4,094	...	31,751	12.9
Hancock Bank, Gulfport	1,574	1,574	....	97,940	1.6	9	9	...	...	...	...	...	..
First Mississippi National Bank, Hattiesburg	1,150	1,150	....	73,246	1.6	19	19	...	1,464	1,464	..	67,021	2.2
TENNESSEE													
Third National Bank, Nashville	68,810	68,697	113	469,468	14.7	378	374	4	68,279	67,842	437	445,251	15.3
First American National Bank, Nashville	66,948	66,778	170	560,257	12.0	...	...	...	57,077	56,924	153	484,353	11.8
Hamilton National Bank, Chattanooga	52,658	....	....	259,033	20.4	252	...	...	47,444	47,444	...	232,211	20.4
American Nat'l B&T Co., Chattanooga	27,328	27,328	....	224,102	12.2	127	127	...	24,593	24,593	...	194,669	12.6
Hamilton National Bank, Knoxville	17,416	17,416	....	214,200	8.1	92	92	...	14,978	14,978	...	209,447	7.2
Park National Bank, Knoxville	15,074	15,074	....	152,672	9.8	72	72	...	16,528	16,528	...	145,287	11.4
Commerce Union Bank, Nashville	11,735	11,297	438	322,805	3.5	117	109	8	9,725	9,725	...	279,856	3.5
Hamilton National Bank, Johnson City	3,004	3,004	....	57,742	5.2	13	13	...	3,391	3,391	...	47,200	7.2
First NB of Sullivan Cty., Kingsport	2,172	2,172	....	91,330	2.4	13	13	...	1,764	1,764	...	83,836	2.1

FEDERAL RESERVE DISTRICT No. 7

ILLINOIS													
Continental Illinois Nat'l B&T Co., Chicago	830,140	...	...	4,757,482	17.4	...	...	...	631,413	...	...	4,090,376	15.4
First National Bank, Chicago	326,938	...	...	4,242,074	7.7	...	...	...	309,648	...	...	3,911,035	7.9
Harris Trust & Savings Bank, Chicago	263,597¶	141,233¶	122,364¶	1,620,477¶	16.3	...	...	...	143,037	137,510	5,527	1,352,562	10.6
Northern Trust Co., Chicago	166,689	...	...	1,344,143	12.4	1,144	...	...	166,373	...	...	1,209,433	13.8
American Nat'l Bank & Trust Co., Chicago	68,303	64,735	3,568	668,161	10.2	...	...	...	63,245	60,486	2,758	648,717	9.7
La Salle National Bank, Chicago	44,216	42,749	1,467	401,324	11.0	518	485	33	37,801	36,155	1,646	336,322	11.2
Central National Bank, Chicago	34,501	33,369	1,132	408,405	8.4	313	291	22	28,681	27,371	1,310	368,281	7.8
National Boulevard Bank, Chicago	16,416	16,416	...	213,568	7.7	128	128	...	9,870	9,870	...	183,789	5.4
Beverly Bank, Chicago	15,042	15,042	...	131,272	11.5	...	...	...	12,295	12,295	...	121,342	10.1
Commercial National Bank, Peoria	12,744	12,744	...	182,461	7.0	134	134	...	13,031	13,031	...	166,756	7.8
Drovers National Bank, Chicago	11,482	...	...	175,918	6.5	195	...	...	9,183	...	...	156,794	5.9
Pullman Bank & Trust Co., Chicago	8,119	8,119	...	172,740	4.7	13	13	...	...	...	...	...	..
Milliken National Bank, Decatur	5,442	5,442	...	80,919	6.7	81	81	...	6,907	6,907	...	73,131	9.4
Citizens National Bank, Decatur	3,881	3,881	...	70,715	5.5	110	110	...	4,805	4,805	...	77,304	6.2
First National Bank, Peoria	3,668	3,668	...	68,258	5.4	36	36	...	2,877	2,877	...	59,476	4.8
Jefferson Trust & Savings Bank, Peoria	2,908	2,908	...	68,518	4.2	...	...	...	3,364	3,364	...	64,567	5.2
Springfield Marine Bank	2,637	2,637	...	161,752	1.6	41	41	...	2,182	2,182	...	145,458	1.5
Michigan Avenue National Bank, Chicago	1,848	1,848	...	115,305	1.6	...	...	...	1,041	1,041	...	96,810	1.1
First National Bank, Springfield	1,756	1,756	...	125,275	1.4	45	45	...	1,637	1,637	...	114,675	1.4
Illinois National Bank, Springfield	1,747	1,747	...	95,076	1.8	26	26	...	1,734	1,734	...	85,483	2.0
Mercantile National Bank of Chicago	1,668	1,668	...	57,658	2.9	8	8	...	1,348	1,348	...	50,002	2.7
North Shore National Bank, Chicago	1,536	1,536	...	91,502	1.7	3	3	...	1,248	1,248	...	87,972	1.4
Illinois National B&T Co., Rockford	1,024	1,024	...	114,562	0.9	...	...	...	685	685	...	111,641	0.6
American National B&T Co., Rockford	939	939	...	103,320	0.9	3	3	...	...	...	...	...	..
First National Bank, Joliet	935	935	...	83,266	1.1	10	10	...	912	912	...	80,666	1.1
First National Bank, Rock Island	930	930	...	75,839	1.2	8	8	...	660	660	...	72,921	0.9
Sears Bank & Trust Co., Chicago	508	500	8	183,189	0.3	10	9	1	1,000	1,000	...	183,189	0.5

Citizens National Bank, Orlando	3,778	....	....	40,373	8.9	46	46	...	6,000	6,000	...	66,674	9.5
Tallahassee Bank & Trust Co.	3,592	3,592	....	65,052	5.5	9	...	...	3,065	....	...	59,547	4.5
First National Bank, Pompano Beach	3,561	....	....	67,134	3.7	11	11	...	2,666	2,666	...	72,474	3.0
American National Bank, Jacksonville	2,472	2,472	....	77,540	2.7	88	14	74	2,151	969	1,182	35,817	3.5
Pan American Bank, Miami	2,060	993	1,067	35,946	4.7	15	15	...	1,255	1,255	...	55,924	0.8
Florida First National Bank, Pensacola	1,687	1,687	....	60,427	2.5	10	10	...	472	472	...	87,665	0.9
Florida National Bank, Orlando	1,525	1,525	....	97,444	1.5	13	11	2	819	784	35	126,838	0.7
Broward National Bank, Fort Lauderdale	1,414	1,364	49	137,068	1.0	20	20	...	830	830	...	....	..
Union Trust National Bank, St. Petersburg	1,321	1,321	....	65,647	1.5	33	7	26	....	....	...	50,431	2.1
Central Bank & Trust Co., Miami	1,012	353	659	56,211	1.4	12	12	...	1,051	1,051	...	75,171	1.4
Atlantic National Bank, West Palm Beach	801	801	....	83,434	0.9	16	16	...	1,065	1,065	...		
First National Bank, Palm Beach	740	740	....										
GEORGIA													
Citizens & Southern Nat'l Bk. of Ga., Savannah	109,083‡	106,567‡	2,516‡	1,309,438‡	8.3	799	690	109	95,794‡	93,251‡	2,543‡	1,317,863‡	7.3
First National Bank, Atlanta	85,022	84,537	485	722,737	11.8	680	664	16	89,489	89,008	481	727,662	12.3
Fulton National Bank, Atlanta	81,244	81,244	....	364,870	22.3	...	...	...	67,562	67,562	...	354,317	19.1
Trust Co. of Georgia, Atlanta	42,105‡	41,530‡	575‡	773,125‡	5.4	488	465	23	42,408‡	41,740‡	668‡	712,632‡	6.0
Georgia Railroad Bank & Trust Co., Augusta	7,997	7,997	....	130,747	6.1	65	65	...	6,325	6,325	...	122,951	5.1
First National Bank & Trust Co., Macon	5,882	5,882	....	86,908	6.1	56	56	...	6,111	6,111	...	90,078	6.8
Savannah Bank & Trust Co.	3,329	3,284	45	92,617	3.6	40	36	4	4,017	3,984	33	86,274	4.7
Liberty National B&T Co., Savannah	2,931	2,931	....	59,447	4.9	35	35	...	1,071	1,071	..	53,009	2.0
First National Bank, Columbus	2,128	2,128	....	80,430	2.6	11	11	...	557	....	...	75,214	0.7
National Bank of Ga., Atlanta	2,059	2,059	....	129,354	1.6	35	35	...	1,952	1,952	...	122,571	1.6
Columbus Bank & Trust Co.	1,923	1,923	....	62,942	2.3	17	17	...	1,660	1,660	...	79,742	2.1
Citizens & Southern Bank, Albany	1,693	....	....	50,771	3.3	30	...	...	2,515	...	...	51,112	4.9
LOUISIANA													
National Bank of Commerce, New Orleans	60,533	59,415	1,118	381,097	15.8	353	304	49	52,076	50,905	1,172	323,315	16.1
Whitney National Bank, New Orleans	51,700	46,776	4,924	575,984	9.0	...	...	...	52,765	50,008	2,757	566,343	9.3
Hibernia National Bank, New Orleans	39,990	37,337	2,653	303,905	13.2	297	220	77	45,424	43,055	2,369	278,889	16.3
American Bank & Trust Co., Baton Rouge	38,975	38,975	....	212,159	18.4	157	157	...	32,553	32,553	...	259,375	13.6
Bank of New Orleans & Trust Co.	32,057	32,045	13	168,273	19.0	...	...	...	28,093	28,093	...	148,882	18.9
Guaranty Bank & Trust Co., Alexandria	19,040	19,040	....	81,005	23.5	110	110	...	29,980	29,980	...	84,649	35.7
National American Bank, New Orleans	18,324	18,031	293	174,859	10.5	140	128	12	25,796	25,639	157	200,576	12.9
Louisiana National Bank, Baton Rouge	5,026	5,026	....	182,673	2.8	63	63	...	7,501	7,501	...	163,560	4.6
Fidelity National Bank, Baton Rouge	1,806	1,806	....	128,826	1.4	31	31	...	1,280	1,280	...	119,426	1.1
First National Bank, Lafayette	1,263	....	....	55,284	2.3	21	...	...	1,242	1,242	...	46,478	2.7
City National Bank, Baton Rouge	1,262	....	....	101,299	1.2	29	...	...	1,012	1,012	...	88,572	1.1
MISSISSIPPI													
Deposit Guaranty National Bank, Jackson	43,187	43,187	....	337,631	12.4	224	224	...	43,153	....	...	333,749	12.9
First National Bank, Jackson	28,632	28,632	....	322,393	8.9	220	220	...	35,035	....	...	310,367	11.3
Merchants & Farmers Bank, Meridian	3,213	3,213	....	32,614	9.9	24	24	...	4,094	4,094	...	31,761	12.9
Hancock Bank, Gulfport	1,574	1,574	....	97,940	1.6	9	9	...	....	....	...	....	..
First Mississippi National Bank, Hattiesburg	1,150	1,150	....	73,246	1.6	19	19	...	1,464	1,464	..	67,021	2.2
TENNESSEE													
Third National Bank, Nashville	68,810	68,697	113	469,468	14.7	378	374	4	68,279	67,842	437	445,251	15.3
First American National Bank, Nashville	66,948	66,778	170	560,257	12.0	...	...	...	57,077	56,924	153	484,853	11.8
Hamilton National Bank, Chattanooga	52,698	....	....	259,633	20.4	252	...	...	47,444	47,444	...	232,211	20.4
American Nat'l D&T Co., Chattanooga	27,328	27,328	....	224,102	12.2	127	127	...	24,593	24,593	...	194,669	12.6
Hamilton National Bank, Knoxville	17,416	17,416	....	214,290	8.1	92	92	...	14,978	14,978	...	208,447	7.2
Park National Bank, Knoxville	15,074	15,074	....	152,672	9.8	72	72	...	16,528	16,528	...	145,287	11.4
Commerce Union Bank, Nashville	11,435	11,297	138	322,805	3.5	117	109	8	9,725	9,725	...	279,656	3.5
Hamilton National Bank, Johnson City	3,004	3,004	....	57,742	5.2	13	13	...	3,391	3,391	...	47,260	7.2
First NB of Sullivan Cty., Kingsport	2,172	2,172	....	91,330	2.4	13	13	...	1,764	1,764	...	83,836	2.1

FEDERAL RESERVE DISTRICT No. 7

ILLINOIS													
Continental Illinois Nat'l B&T Co., Chicago	830,140	...	...	4,757,482	17.4	...	...	...	631,413	...	...	4,080,376	15.4
First National Bank, Chicago	326,939	...	...	4,242,074	7.7	...	...	...	309,648	...	...	3,911,035	7.9
Harris Trust & Savings Bank, Chicago	263,597¶	141,233¶	122,364¶	1,620,477¶	16.3	...	...	...	143,037	137,510	5,527	1,252,562	10.6
Northern Trust Co., Chicago	166,689	...	...	1,344,143	12.4	1,144	...	...	166,373	...	...	1,209,433	13.8
American Nat'l Bank & Trust Co., Chicago	68,303	64,735	3,568	669,161	10.2	...	...	...	63,245	60,486	2,758	648,717	9.7
La Salle National Bank, Chicago	44,216	42,749	1,467	401,324	11.0	518	485	33	37,801	36,155	1,646	336,322	11.2
Central National Bank, Chicago	34,501	33,369	1,132	408,405	8.4	313	291	22	28,681	27,371	1,310	368,281	7.8
National Boulevard Bank, Chicago	16,416	16,416	...	213,568	7.7	128	128	...	9,870	9,870	...	183,789	5.4
Beverly Bank, Chicago	15,042	15,042	...	131,272	11.5	...	...	...	12,295	12,295	...	121,342	10.1
Commercial National Bank, Peoria	12,744	12,744	...	182,461	7.0	134	134	...	13,031	13,031	...	166,756	7.8
Drovers National Bank, Chicago	11,482	...	...	175,918	6.5	195	...	...	9,183	...	...	156,794	5.9
Pullman Bank & Trust Co., Chicago	8,119	8,119	...	172,740	4.7	13	13	...	....	....	...	....	..
Milliken National Bank, Decatur	5,442	5,442	...	80,919	6.7	81	81	...	6,907	6,907	...	73,131	9.4
Citizens National Bank, Decatur	3,881	3,881	...	70,715	5.5	110	110	...	4,805	4,805	...	77,304	6.2
First National Bank, Peoria	3,668	3,668	...	68,258	5.4	36	36	...	2,877	2,877	...	59,476	4.8
Jefferson Trust & Savings Bank, Peoria	2,908	2,908	...	69,518	4.2	...	...	...	3,364	3,364	...	64,907	5.2
Springfield Marine Bank	2,637	2,637	...	161,752	1.6	41	41	...	2,182	2,182	...	145,458	1.5
Michigan Avenue National Bank, Chicago	1,848	1,848	...	115,305	1.6	...	...	...	1,041	1,041	...	96,810	1.1
First National Bank, Springfield	1,756	1,756	...	125,275	1.4	45	45	...	1,637	1,637	...	114,675	1.4
Illinois National Bank, Springfield	1,747	1,747	...	95,076	1.8	26	26	...	1,734	1,734	...	85,483	2.0
Mercantile National Bank of Chicago	1,668	1,668	...	57,658	2.9	8	8	...	1,348	1,348	...	50,002	2.7
North Shore National Bank, Chicago	1,536	1,536	...	91,502	1.7	3	3	...	1,248	1,248	...	87,972	1.4
Illinois National B&T Co., Rockford	1,024	1,024	...	114,562	0.9	...	...	...	685	685	...	111,641	0.6
American National B&T Co., Rockford	939	939	...	103,320	0.9	3	3	...	....	....	...	....	..
First National Bank, Joliet	935	935	...	83,266	1.1	10	10	...	912	912	...	80,666	1.1
First National Bank, Rock Island	930	930	...	75,839	1.2	8	8	...	680	680	...	72,921	0.9
Sears Bank & Trust Co., Chicago	508	500	8	193,189	0.3	10	8	2	501	491	10	180,316	0.3
INDIANA													
Indiana National Bank, Indianapolis	95,254	62,960	32,294	824,306	11.6	365	342	23	65,118	64,340	778	828,056	7.9
American Fletcher Nat'l B&T Co., Indianapolis	75,939	75,009	930	820,389	9.3	350	302	48	73,714	73,714	...	815,587	9.7
Merchants Nat'l B&T Co., Indianapolis	20,597	19,975	622	382,756	5.4	149	136	13	17,426	17,053	373	365,571	4.8
State Exchange Bank, Culver	4,630	4,630	...	47,342	9.8	2	2	...	3,864	3,864	...	44,925	8.6
Lincoln Nat'l B&T Co., Fort Wayne	3,318	3,318	...	241,489	1.4	33	33	...	4,756	4,756	...	224,706	2.1
Fort Wayne National Bank	1,688	1,688	...	147,181	1.1	21	21	...	2,480	2,480	...	143,921	1.7
St. Joseph Valley Bank, Elkhart	1,535	1,535	...	110,950	1.4	11	11	...	696	696	...	104,177	0.7
First Bank & Trust Co., South Bend	1,308	1,308	...	152,658	0.9	13	13	...	1,349	1,349	...	138,919	1.0
Indiana Bank & Trust Co., Fort Wayne	1,085	1,085	...	113,365	1.0	7	7	...	1,258	....	...	109,069	1.2
Lafayette National Bank	1,041	1,041	...	77,057	1.4	10	10	...	1,239	1,239	...	74,570	1.7
Gary National Bank	844	844	...	215,245	0.5	10	10	...	941	941	...	109,427	0.9
Terre Haute First National Bank	757	757	...	97,595	0.8	14	14	...	606	606	...	93,914	0.6
St. Joseph Bank & Trust Co., South Bend	699	691	8	93,176	0.8	8	7	1	629	592	37	77,821	0.8
Bank of Indiana NA, Gary	637	560	77	86,218	0.7	12	11	1	1,107	1,107	...	77,604	1.4
Purdue National Bank, Lafayette	510	510	...	65,357	0.6	11	11	...	531	531	...	61,389	0.7

¶—All figures exclude deposits in overseas branches unless otherwise noted. Components may not add to totals due to rounding. ‡—Includes subsidiaries.

1970 CORRESPONDENT BANKING SURVEY

BANKS WITH CORRESPONDENT DEPOSITS OVER $500,000 (,000's omitted in $ figures)*

AS REPORTED SEPT. 30 1970 AND SEPT. 30 OR OCT. 1, 1969

Compiled by the **American Banker** *and Copyright 1970*

RESERVE DISTRICT NO. 9, Continued	September 30, 1970								Sept. 30 or Oct. 1, 1969				
	Due to Banks			Total Deposits	D. to B. to T'tl Dep.	No. Corresp. Banks			Due to Banks			Total Deps.	D. to B. to T'tl Dep.
	Total $	Dom. $	Fgn. $	$	%	Total	Dom.	Fgn.	Total $	Dom. $	Fgn. $	$	%
American National Bank & Trust Co., St. Paul	37,937	37,719	217	149,178	25.4	...	...	...	43,725	43,524	200	149,622	29.1
Midland National Bank, Minneapolis	14,478	14,365	113	99,400	14.6	137	135	2	13,577	13,411	166	97,320	14.0
First American National Bank, Duluth	6,768	6,679	89	103,643	6.5	96	92	4	7,691	7,200	491	102,038	7.5
Northwestern National Bank, Rochester	6,102	6,102	....	50,273	12.1	29	29	...	2,952	2,952	...	44,394	6.6
Northern City National Bank, Duluth	5,029	4,977	51	105,024	4.8	98	96	2	5,402	5,351	52	92,955	5.8
Northwestern National Bank, St. Paul	2,312	2,709	103	108,392	2.6	33	31	2	4,043	4,026	17	89,169	4.5
Midway National Bank, St. Paul	1,641	1,641	....	51,955	3.2	4	4	...	969	969	...	49,772	1.9
National City Bank of Minneapolis	1,283	1,283	....	56,128	2.3	..	...	...	2,019	2,019	...	55,196	3.7
MONTANA													
Security Trust & Savings Bank, Billings	7,364	...	...	82,651	8.9	72	...	...	9,113	9,113	...	81,017	11.2
Midland National Bank, Billings	4,630	4,596	33	63,894	7.3	34	33	1	4,017	4,017	...	62,403	6.4
Union Bank & Trust Co., Helena	3,896	3,896	...	39,673	9.8	95	95	...	3,323	3,323	...	38,878	8.5
First National B&T Co., Helena	3,277	3,277	...	41,504	7.9	59	59	...	4,615	4,615	...	42,228	10.9
Great Falls National Bank	1,857	1,857	...	55,908	3.3	21	21	...	1,219	1,207	11	45,899	2.5
First National Bank, Great Falls	1,834	1,834	...	68,084	2.7	25	25	...	2,128	2,128	...	69,931	3.0
First Metals B&T Co., Butte	725	725	...	42,279	1.7	17	17	...	1,078	1,078	...	37,515	2.9
Montana Bank, Great Falls	735	[illegible]	12	33,983	2.2	10	9	1	722	694	28	33,565	2.1
NORTH DAKOTA													
Bank of North Dakota, Bismarck	3,419	3,419	...	115,021	3.0	131	131	...	2,318	2,318	...	98,618	2.4
First National Bank & Trust Co., Fargo	2,773	2,773	...	47,809	5.8	...	...	...	3,232	3,232	...	50,762	6.4
First National Bank, Grand Forks	2,373	2,373	...	43,468	5.5	35	34	1	2,753	2,730	23	43,421	6.3
Dakota National Bank, Fargo	1,884	1,884	...	38,418	4.9	43	43	...	1,672	1,672	...	37,548	4.5
Merchants National B&T Co., Fargo	1,691	...	...	48,177	3.5	21	...	...	1,568	1,568	...	45,816	3.6
First National B&T Co., Bismarck	1,195	...	...	40,606	2.9	16	...	...	1,297	...	...	39,405	3.2
SOUTH DAKOTA													
National Bank of S. D., Sioux Falls	3,843	3,843	...	176,705	2.2	38	38	...	3,066	3,066	...	150,994	2.0
First National Bank, Sioux Falls	2,942	2,942	...	45,615	6.5	47	47	...	3,325	3,325	...	43,432	7.6
Northwestern National Bank, Sioux Falls	2,243	2,243	...	129,122	1.7	54	54	...	2,203	2,203	...	111,130	2.0
First National Bank, Aberdeen	1,868	1,868	...	93,895	2.0	37	37	...	2,359	2,359	...	83,767	2.8
WISCONSIN													
First National Bank, La Crosse	1,723	1,723	...	50,201	3.4	34	34	...	1,263	1,263	...	47,033	2.7
First Wisconsin National Bank, Eau Claire	969	969	...	65,333	1.5	8	8	...	45	45	...	58,965	0.8

FEDERAL RESERVE DISTRICT No. 10

COLORADO													
First National Bank, Denver	63,033	62,925	108	522,491	10.2	273	265	8	45,281	45,131	150	489,297	9.3
United Bank of Denver NA	39,642	39,468	165	427,033	9.3	263	259	4	32,245	32,268	76	423,868	7.6
Central Bank & Trust Co., Denver	33,653	33,653	...	219,471	15.3	278	277	1	29,508	29,504	4	201,346	14.7
Colorado National Bank, Denver	21,308	21,308	4	200,291	8.2	162	161	1	24,215	24,201	14	264,240	9.2
American National Bank, Denver	21,125	21,125	...	123,585	17.1	91	91	...	20,127	20,127	...	117,674	17.1
First National Bank, Englewood	6,867	6,867	...	63,244	12.9	5	5	...	5,779	5,779	...	49,373	11.7
First National Bank, Pueblo	5,299	5,299	...	57,142	9.3	42	42	...	5,775	5,775	...	53,220	10.9
First National Bank, Colorado Springs	1,656	1,656	...	95,149	1.7	17	17	...	1,920	1,920	...	88,272	2.2
Exchange National Bank, Colorado Springs	758	758	...	54,573	1.4	6	6	...	945	945	...	50,193	1.9
KANSAS													
Fourth National Bank & Trust Co., Wichita	29,816	29,816	...	251,126	11.9	265	259	...	23,137	23,137	...	242,885	9.6
First National Bank, Wichita	27,934	27,934	...	139,694	21.5	267	267	...	24,247	24,247	...	123,119	19.7
Commercial National Bank, Kansas City	21,858	21,858	...	96,857	22.6	190	190	...	19,858	19,858	...	82,810	24.0
Security National Bank, Kansas City	18,836	18,836	...	82,332	22.9	243	243	...	19,370	19,370	...	80,676	24.0
First National Bank, Topeka	11,299	11,299	...	143,243	7.9	235	235	...	11,179	...	...	146,839	8.0
Hutchinson National B&T Co.	6,854	6,854	...	45,630	15.0	72	72	...	5,574	5,574	...	43,198	12.9
First National Bank, Hutchinson	5,352	5,352	...	36,466	14.7	93	93	...	5,982	5,982	...	34,990	11.5
Union National Bank, Wichita	4,695	4,695	...	124,201	3.8	126	126	...	5,181	5,181	...	86,279	6.0
First National B&T Co., Salina	4,630	4,630	...	25,467	17.5	...	...	...	...	...	...	...	..
Merchants National Bank, Topeka	3,573	3,573	...	94,155	3.8	108	108	...	2,977	2,977	...	89,486	3.3
National Bank of America, Salina	3,199	3,199	...	24,499	12.9	53	53	...	...	...	...	...	..
Exchange National Bank, Atchison	899	899	...	19,518	4.6	22	22	...	1,130	1,130	...	19,093	5.9
MISSOURI													
Commerce Bank, Kansas City	167,428	166,277	1,151	461,620	23.2	1,308	1,278	30	121,617	120,638	1,009	4[illegible],025	24.7
First National Bank, Kansas City	88,483	87,344	1,139	321,414	27.5	840	803	37	100,476	99,128	1,348	229,654	30.3
City Nat'l B&T Co., Kansas City	62,217	60,945	1,272	200,178	20.7	955	930	25	80,465	78,925	1,540	328,526	24.5
Columbia Union Nat'l B&T Co., Kansas City	13,470	13,469	1	83,441	16.2	180	179	1	...	...	...	...	..
American National Bank, St. Joseph	11,733	....	....	83,480	13.8	303	...	...	13,173	...	...	86,086	15.3
Traders National Bank, Kansas City	9,291	9,291	....	71,164	13.1	152	152	...	11,267	11,267	...	73,741	15.3
First National Bank, St. Joseph	8,812	8,812	....	53,237	16.5	101	101	...	9,382	9,382	...	51,6[illegible]	18.2
Mercantile Bank & Trust Co., Kansas City	572	572	....	62,943	0.9	19	19	...	1,317	1,317	...	69,090	2.0
NEBRASKA													
Omaha National Bank	70,362	69,631	371	338,989	20.8	579	568	11	74,710	74,137	574	317,076	23.6
First National Bank & Trust Co., Lincoln	31,825	31,825	....	187,554	17.0	295	295	...	30,375	30,375	...	181,465	16.7
First National Bank, Omaha	29,968	29,963	5	166,425	18.0	346	345	1	27,262	27,252	10	161,804	16.8
National Bank of Commerce, Lincoln	27,414	27,414	....	127,599	21.4	303	303	...	30,653	30,653	...	130,301	23.5
United States National Bank, Omaha	23,359	23,359	....	158,279	14.7	270	270	...	27,460	27,460	...	159,594	17.2
Northwestern National Bank, Omaha	6,112	6,112	....	52,079	11.7	..	...	...	6,521	6,521	...	51,142	12.7
NEW MEXICO													
First National Bank, Albuquerque	11,144	11,144	....	193,587	5.7	51	51	...	7,445	7,445	...	140,109	5.3
Albuquerque National Bank	8,952	8,952	....	245,482	3.6	49	49	...	6,012	6,012	...	204,747	2.9
First National Bank, Santa Fe	872	872	....	50,400	1.7	15	15	...	697	697	...	48,097	1.5
Bank of New Mexico, Albuquerque	540	540	....	87,869	0.6	11	11	...	692	692	...	79,344	0.9
OKLAHOMA													
Liberty National B&T Co., Oklahoma City	64,385	64,284	101	399,193	16.1	377	370	7	66,989	66,714	273	336,987	19.8

American National Bank & Trust Co., St. Paul	37,937	37,719	217	149,170	25.4	..	...	...	41,725	41,594	200	169,922	24.6
Midland National Bank, Minneapolis	14,478	14,365	113	99,400	14.6	137	135	2	13,577	13,411	166	97,320	14.0
First American National Bank, Duluth	6,768	6,679	88	103,643	6.5	96	92	4	7,691	7,200	491	102,038	7.5
Northwestern National Bank, Rochester	6,163	6,163	....	50,273	12.1	29	29	...	2,952	2,952	...	44,394	6.6
Northern City National Bank, Duluth	5,529	4,977	51	105,824	4.8	58	56	2	5,402	5,351	52	92,955	5.8
Northwestern National Bank, St. Paul	2,312	2,709	123	198,392	2.6	33	31	2	4,043	4,026	17	89,169	4.5
Midway National Bank, St. Paul	1,641	1,641	....	51,955	3.2	4	4	...	969	969	...	49,772	1.9
National City Bank of Minneapolis	1,283	1,283	....	56,128	2.3	..	...	...	2,019	2,019	...	55,196	3.7
MONTANA													
Security Trust & Savings Bank, Billings	7,364	...	...	82,691	8.9	72	...	...	9,113	9,113	...	81,017	11.2
Midland National Bank, Billings	4,630	4,596	35	63,894	7.3	34	33	1	4,017	4,017	...	62,493	6.4
Union Bank & Trust Co., Helena	3,696	3,696	...	39,673	9.8	55	55	...	3,323	3,323	...	38,878	8.5
First National B&T Co., Helena	3,277	3,277	...	41,504	7.9	59	59	...	4,615	4,615	...	42,228	10.9
Great Falls National Bank	1,857	1,857	...	55,908	3.3	21	21	...	1,219	1,207	11	48,869	2.5
First National Bank, Great Falls	1,834	1,834	...	68,084	2.7	26	26	...	2,128	2,128	...	69,031	3.0
First Metals B&T Co., Butte	725	725	...	42,279	1.7	17	17	...	1,078	1,078	...	37,515	2.9
Montana Bank, Great Falls	735	722	12	33,983	2.2	10	9	1	722	694	28	33,555	2.1
NORTH DAKOTA													
Bank of North Dakota, Bismarck	3,419	3,419	...	115,021	3.0	131	131	...	2,318	2,318	...	98,618	2.4
First National Bank & Trust Co., Fargo	2,773	2,773	...	47,509	5.8	...	...	...	3,232	3,232	...	50,762	6.4
First National Bank, Grand Forks	2,373	2,373	...	43,460	5.5	35	34	1	2,753	2,730	23	43,421	6.3
Dakota National Bank, Fargo	1,884	1,884	...	38,418	4.9	43	43	...	1,672	1,672	...	37,548	4.9
Merchants National B&T Co., Fargo	1,691	...	...	48,177	3.5	21	...	...	1,559	1,559	...	45,916	3.6
First National B&T Co., Bismarck	1,195	...	...	40,606	2.9	16	...	...	1,297	...	...	39,405	3.2
SOUTH DAKOTA													
National Bank of S. D., Sioux Falls	3,843	3,843	...	176,705	2.2	38	38	...	3,066	3,066	...	150,994	2.0
First National Bank, Sioux Falls	2,942	2,942	...	45,615	6.5	47	47	...	3,325	3,325	...	43,432	7.6
Northwestern National Bank, Sioux Falls	2,243	2,243	...	129,122	1.7	54	54	...	2,293	2,293	...	111,130	2.0
First National Bank, Aberdeen	1,868	1,868	...	93,835	2.0	37	37	...	2,359	2,359	...	83,767	2.8
WISCONSIN													
First National Bank, La Crosse	1,723	1,723	...	50,291	3.4	34	34	...	1,263	1,263	...	47,033	2.7
First Wisconsin National Bank, Eau Claire	969	969	...	65,333	1.5	8	8	...	45	45	...	58,966	0.8

FEDERAL RESERVE DISTRICT No. 10

COLORADO													
First National Bank, Denver	53,030	52,905	125	522,491	10.2	273	265	8	45,201	45,131	120	489,297	9.3
United Bank of Denver NA	39,643	39,468	175	427,033	9.3	263	259	4	32,248	32,268	70	425,063	7.6
Central Bank & Trust Co., Denver	33,653	33,653	...	219,471	15.3	78	277	1	29,504	29,504	0	201,344	14.7
Colorado National Bank, Denver	21,368	21,363	4	260,831	8.2	142	141	1	24,219	24,201	14	264,646	9.2
American National Bank, Denver	21,125	21,125	...	123,385	17.1	91	91	...	20,127	20,127	...	117,674	17.1
First National Bank, Englewood	6,867	6,867	...	53,344	12.9	5	5	...	5,775	5,775	...	49,373	11.7
First National Bank, Pueblo	5,299	5,299	...	57,142	9.3	42	42	...	5,775	5,775	...	53,220	10.9
First National Bank, Colorado Springs	1,656	1,656	...	95,149	1.7	17	17	...	1,920	1,920	...	88,272	2.2
Exchange National Bank, Colorado Springs	758	758	...	54,973	1.4	6	6	...	945	945	...	50,193	1.9
KANSAS													
Fourth National Bank & Trust Co., Wichita	29,816	29,816	...	251,138	11.9	299	299	...	23,137	23,137	...	242,085	9.6
First National Bank, Wichita	27,934	27,934	...	130,694	21.5	267	267	...	24,247	24,247	...	123,119	19.7
Commercial National Bank, Kansas City	21,456	21,456	...	96,857	22.6	190	190	...	19,658	19,658	...	82,810	24.0
Security National Bank, Kansas City	18,836	18,836	...	82,332	22.9	242	242	...	19,370	19,370	...	80,676	24.0
First National Bank, Topeka	11,299	11,299	...	143,243	7.9	225	225	...	11,179	...	...	146,030	8.0
Hutchinson National B&T Co.	6,854	6,854	...	45,630	15.0	72	72	...	5,574	5,574	...	43,198	12.9
First National Bank, Hutchinson	5,352	5,352	...	36,406	14.7	93	93	...	3,982	3,982	...	34,590	11.5
Union National Bank, Wichita	4,695	4,695	...	124,291	3.8	126	126	...	5,181	5,181	...	86,279	6.0
First National B&T Co., Salina	4,630	4,630	...	26,467	17.5	...	...	...	...	...	...	...	...
Merchants National Bank, Topeka	3,573	3,573	...	94,155	3.8	108	108	...	2,577	2,577	...	89,526	3.3
National Bank of America, Salina	3,159	3,159	...	24,499	12.9	53	53	...	...	...	...	...	...
Exchange National Bank, Atchison	899	899	...	19,516	4.6	22	22	...	1,130	1,130	...	19,093	5.9
MISSOURI													
Commerce Bank, Kansas City	187,423	186,277	1,161	461,620	23.3	1,308	1,278	30	121,607	120,698	1,009	490,026	24.7
First National Bank, Kansas City	88,483	87,344	1,139	321,414	27.5	840	803	37	100,476	99,126	1,350	329,654	30.2
City Nat'l B&T Co., Kansas City	62,217	60,945	1,272	300,178	20.7	959	930	29	82,465	78,925	1,540	328,526	24.5
Columbia Union Nat'l B&T Co., Kansas City	13,470	13,469	1	82,441	16.3	180	179	1	...	...	...	...	...
American National Bank, St. Joseph	11,793	....	....	89,466	13.8	302	...	...	12,172	...	...	86,086	15.3
Traders National Bank, Kansas City	9,291	9,291	....	71,164	13.1	152	152	...	11,267	11,267	...	73,761	15.3
First National Bank, St. Joseph	8,812	8,812	....	53,337	16.5	101	101	...	9,382	9,382	...	51,615	18.2
Mercantile Bank & Trust Co., Kansas City	572	572	....	62,943	0.9	15	15	...	1,317	1,317	...	65,050	2.0
NEBRASKA													
Omaha National Bank	70,352	69,631	371	338,989	20.8	579	568	11	74,710	74,137	574	317,076	23.6
First National Bank & Trust Co., Lincoln	31,825	31,825	....	187,954	17.0	295	295	...	33,375	33,375	...	191,465	16.7
First National Bank, Omaha	29,968	29,963	5	166,425	18.0	346	345	1	27,262	27,252	10	161,804	16.8
National Bank of Commerce, Lincoln	27,414	27,414	....	127,859	21.4	303	303	...	30,653	30,653	...	130,201	23.5
United States National Bank, Omaha	23,359	23,359	....	158,379	14.7	270	270	...	27,460	27,460	...	159,594	17.2
Northwestern National Bank, Omaha	6,112	6,112	....	52,079	11.7	..	...	...	6,521	6,521	...	51,142	12.7
NEW MEXICO													
First National Bank, Albuquerque	11,144	11,144	....	193,987	5.7	51	51	...	7,445	7,445	...	140,109	5.3
Albuquerque National Bank	8,952	8,952	....	245,482	3.6	49	49	...	6,812	6,812	...	204,747	2.9
First National Bank, Santa Fe	872	872	....	50,409	1.7	15	15	...	697	697	...	48,097	1.5
Bank of New Mexico, Albuquerque	940	940	....	87,869	0.6	11	11	...	692	692	...	79,344	0.9
OKLAHOMA													
Liberty National B&T Co., Oklahoma City	64,385	64,234	152	399,103	16.1	377	370	7	55,986	55,714	273	336,987	16.6
First National B&T Co., Oklahoma City	55,126	55,063	64	333,528	16.5	344	340	4	74,229	74,231	98	354,324	21.0
First National B&T Co., Tulsa	35,462	35,188	274	355,635	10.0	283	278	5	31,393	31,093	300	317,364	9.9
Fidelity Bank N.A., Oklahoma City	34,656	34,780	76	156,692	22.2	235	232	3	28,141	28,109	32	152,850	18.4
National Bank of Tulsa	27,018	27,018	....	317,968	8.5	227	227	...	28,700	28,700	...	295,909	9.7
Fourth National Bank, Tulsa	11,971	11,971	....	71,535	16.7	146	146	...	11,308	11,308	...	65,602	17.2
WYOMING													
First National Bank, Casper	5,563	5,563	....	70,510	7.8	21	21	...	4,348	4,348	...	61,995	7.0
American National Bank, Cheyenne	3,363	3,363	....	40,071	8.4	31	31	...	3,742	3,742	...	38,240	9.8
First National B&T Co., Cheyenne	2,821	2,821	....	31,089	9.1	22	22	...	3,864	3,864	...	31,522	12.2
Wyoming National Bank, Casper	2,046	....	....	56,551	3.6	12	...	...	1,967	1,967	...	59,159	3.3
Rock Springs National Bank	1,271	1,271	....	29,190	6.3	6	6	...	562	562	...	17,860	3.1

FEDERAL RESERVE DISTRICT No. 11

ARIZONA													
Southern Arizona Bank & Trust Co., Tucson	2,078	1,772	306	219,706	0.9	20	8	12	2,424	1,917	507	203,630	1.2

*Includes deposits in overseas branches unless otherwise noted. Components may not add to totals due to rounding. 3—Includes subsidiaries.

1970 CORRESPONDENT BANKING SURVEY

BANKS WITH CORRESPONDENT DEPOSITS OVER $500,000 (,000's omitted in $ figures)*

AS REPORTED SEPT. 30 1970 AND SEPT. 30 OR OCT. 1, 1969

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RESERVE DISTRICT NO. 11, Continued	September 30, 1970								Sept. 30 or Oct. 1, 1969							
	Due to Banks			Total Deposits	D. to B. to T'tl Dep.	No. Corresp. Banks			Due to Banks			Total Deps.	D. to B. to T'tl Dep.	No. Corresp. Banks		
	Total $	Dom. $	Fgn. $	$	%	Total	Dom.	Fgn.	Total $	Dom. $	Fgn. $	$	%	Total	Dom.	Fgn.
LOUISIANA																
Commercial National Bank, Shreveport	12,205	12,205	....	181,269	6.7	122	122	....	9,469	....	....	163,705	5.8			
Bossier Bank & Trust Co., Bossier City	5,557	5,557	....	50,597	11.0	55	55	....	4,500	4,500	....	43,313	10.4			
Louisiana Bank & Trust Co., Shreveport	2,873	2,873	....	46,859	6.1	40	40	....	4,043	4,043	....	48,090	8.4			
Central Savings B&T Co., Monroe	2,592	2,592	....	84,073	3.1	48	48	....	2,020	2,020	....	69,874	2.9			
Ouachita National Bank, Monroe	1,878	....	....	88,878	2.1	27	....	....	2,050	2,050	....	87,007	2.4			
TEXAS																
Republic National Bank, Dallas	283,767	278,784	4,984	1,434,896	19.8	1,350	1,233	117	212,067	207,172	4,895	1,132,571	18.7			
First National Bank, Dallas	220,519	217,946	2,573	1,269,189	17.4	887	829	58	231,128	227,766	3,362	1,264,226	18.3			
First City Nat'l Bank, Houston	171,162	167,227	3,934	1,025,907	16.7	....	....	....	137,227	133,972	3,256	977,344	14.0			
Texas Commerce Bank NA, Houston	141,363	138,996	2,367	865,896	16.3	561	475	86	99,354	96,195	3,159	879,655	11.3			
Bank of the Southwest NA, Houston	103,080	93,273	9,806	612,899	16.8	....	....	....	82,035	77,078	4,956	565,928	14.5			
Mercantile National Bank, Dallas	70,323	69,775	548	559,259	12.6	485	451	34	64,792	....	....	530,617	12.2			
First National Bank, Fort Worth	59,075	58,464	611	366,998	16.1	355	337	18	55,749	55,269	480	335,031	16.6			
Fort Worth National Bank	57,686	57,428	258	401,156	14.4	401	395	6	61,341	61,186	155	414,229	14.8			
Frost National Bank, San Antonio	50,503	....	....	342,190	14.8	....	....	....	36,916	....	....	297,483	12.4			
Texas Bank & Trust Co., Dallas	47,426	47,397	28	242,230	19.6	364	362	2	51,396	51,396	....	232,326	22.1			
National Bank of Commerce, Dallas	43,826	43,826	....	180,585	24.2	222	222	....	40,909	40,909	....	184,898	22.1			
Continental National Bank, Fort Worth	39,639	....	....	176,937	22.4	225	....	....	39,331	39,331	....	165,230	23.8			
Southern National Bank, Houston	31,756	31,756	....	117,159	27.1	96	96	....	27,282	....	....	98,420	27.7			
Continental Bank, Houston	31,221	31,221	....	96,752	31.3	147	147	....	30,539	30,539	....	94,212	32.4			
National Bank of Commerce, San Antonio	30,830	30,576	254	242,200	12.7	157	132	25	25,531	....	....	229,551	11.3			
Alamo National Bank, San Antonio	23,737	23,737	....	150,196	15.8	102	102	....	25,724	25,724	....	143,596	17.9			
Capital National Bank, Austin	23,378	23,378	....	168,178	13.9	374	374	....	22,034	22,034	....	160,924	13.7			
Capital National Bank, Houston	23,033	22,877	156	115,602	19.9	101	97	4	12,474	12,358	116	87,941	14.2			
Houston National Bank	22,251	20,905	1,347	248,041	9.0	294	254	40	25,669	....	....	245,446	10.5			
First National Bank, Amarillo	20,772	20,772	....	130,743	15.9	130	130	....	16,281	....	....	123,675	13.1			
Amarillo National Bank	19,788	19,788	....	113,909	17.4	118	118	....	14,994	14,994	....	100,831	14.9			
Citizens National Bank, Lubbock	19,437	19,437	....	91,318	21.3	85	85	....	24,198	....	....	84,389	28.7			
El Paso National Bank	17,743	16,223	1,520	162,660	10.9	99	81	18	15,301	13,000	2,301	169,897	9.0			
Austin National Bank	15,989	15,986	3	203,090	7.9	164	162	2	16,530	16,526	3	189,571	8.7			
American National Bank, Austin	15,534	15,534	....	136,846	11.2	255	255	....	13,062	13,062	....	126,895	10.3			
Houston Bank & Trust Co.	15,047	15,027	20	109,826	13.7	78	77	1	9,967	9,967	....	107,333	9.3			
Main Bank of Houston	12,993	12,993	....	53,073	24.5	32	32	....	17,619	17,619	....	51,751	34.0			
State National Bank, El Paso	12,557	12,067	490	154,366	8.2	71	60	11	11,489	10,066	1,423	143,114	8.0			
First National Bank, Lubbock	12,079	12,079	....	123,915	9.7	81	81	....	13,934	13,934	....	116,122	12.0			
Corpus Christi Bank & Trust Co.	11,189	11,189	....	83,905	13.3	37	37	....	3,874	3,874	....	73,711	5.3			
First Wichita National Bank	11,122	11,122	....	142,868	7.8	129	129	....	10,267	10,267	....	139,522	7.4			
First National Bank, Waco	10,451	10,451	....	105,906	9.9	55	55	....	7,344	7,344	....	98,427	7.5			
Lubbock National Bank	9,752	9,752	....	94,971	10.3	63	63	....	9,856	9,856	....	82,435	12.0			
[illegible] Beaumont	9,291	9,291	#	87,501	10.6	61	60	1	7,411	7,411	#	84,461	8.8			
Citizens National Bank, Waco	9,256	9,256	....	107,552	9.2	93	93	....	....	....	....	....	..			
Sharpstown State Bank, Houston	7,666	7,666	....	76,698	10.1	19	19	....	6,508	....	....	73,287	8.9			
Exchange Bank & Trust Co., Dallas	7,342	7,342	....	91,673	8.1	70	70	....	8,089	8,089	....	92,067	8.8			
Medical Center National Bank, Houston	7,281	7,281	....	41,508	17.5	13	13	....	3,323	3,323	....	37,761	8.8			
Corpus Christi State National Bank	7,051	7,051	....	156,569	4.7	61	61	....	5,597	5,597	....	119,640	4.7			
First National Bank, Midland	6,871	6,830	41	160,618	4.3	56	54	2	7,259	....	....	156,595	4.6			
First National Bank, Abilene	6,669	6,669	....	64,864	10.6	49	49	....	6,630	6,630	....	63,473	10.4			
First Security National Bank, Beaumont	6,599	6,599	....	120,597	5.5	43	43	....	6,377	6,377	....	131,703	4.8			
City National Bank, Wichita Falls	6,519	6,519	....	93,423	7.2	79	79	....	6,516	6,516	....	90,452	7.2			
Victoria Bank & Trust Co.	6,480	6,480	3	89,411	7.2	77	76	1	6,095	6,093	2	84,266	7.2			
Tyler Bank & Trust Co.	6,180	6,180	....	43,731	12.7	50	50	....	....	....	....	....	..			
Southwest National Bank, El Paso	5,858	5,727	131	48,067	12.2	26	22	4	2,899	2,753	146	41,143	7.0			
Midland National Bank	5,350	5,350	....	72,008	7.4	39	39	....	5,270	5,270	....	68,653	7.7			
International Bank, Houston	5,209	5,209	....	30,185	17.3	20	20	....	4,700	4,700	....	26,050	18.0			
Fidelity Bank & Trust Co., Houston	5,187	5,187	....	39,811	13.0	....	....	....	....	....	....	....	..			
San Angelo National Bank	5,034	5,034	....	57,475	8.8	26	26	....	5,869	5,869	....	61,534	9.5			
Citizens Bank, Houston	4,797	4,797	....	61,338	7.8	37	37	....	7,116	7,116	....	63,616	11.2			
Citizens National Bank, Abilene	4,374	4,374	....	65,464	6.7	....	....	....	4,257	4,257	....	64,168	6.6			
South Main Bank, Houston	4,251	4,251	....	60,051	7.1	28	28	....	3,901	3,901	....	57,241	6.8			
First National Bank, Killeen	4,191	4,191	....	27,327	15.5	4	4	....	2,010	2,010	....	25,606	8.0			
Peoples National Bank, Tyler	3,941	3,941	....	56,636	7.0	44	44	....	3,197	3,197	....	53,670	6.0			
Harrisburg Bank, Houston	3,637	....	....	44,690	8.1	....	....	....	1,518	1,518	....	39,127	3.9			
Central National Bank, San Angelo	3,634	....	....	49,314	7.4	17	....	....	2,667	2,667	....	47,472	5.6			
First National Bank, San Antonio	3,627	3,627	....	30,323	12.0	23	23	....	3,641	3,641	....	29,351	12.4			
Northside State Bank, Houston	3,469	3,469	....	34,291	10.2	....	....	....	4,745	4,745	....	35,606	13.3			
First National Bank, Odessa	3,289	3,289	....	46,812	7.0	14	14	....	2,687	2,687	....	47,506	5.6			
First National Bank, San Angelo	3,203	3,203	....	34,550	9.3	20	20	....	4,144	4,144	....	37,158	11.1			
Fannin Bank, Houston	3,005	3,005	....	71,636	3.8	20	20	....	....	....	....	....	..			
Citizens First National Bank, Tyler	2,856	2,856	....	52,545	5.4	26	26	....	2,855	....	....	52,020	5.5			
First Pasadena State Bank	2,795	2,795	....	66,691	4.1	19	19	....	2,468	2,468	....	65,813	3.8			
Temple National Bank	2,656	2,656	....	38,043	7.0	27	27	....	2,838	2,838	....	35,103	8.1			
United States National Bank, Galveston	2,630	....	....	41,284	6.4	45	....	....	2,496	....	....	38,910	6.3			
State National Bank, Denison	2,562	....	....	28,768	8.9	37	....	....	2,414	2,414	....	26,771	9.0			
Main Bank & Trust Co., San Antonio	2,321	2,321	....	59,265	3.9	36	36	....	2,487	2,487	....	56,444	4.4			
Preston State Bank, Dallas	2,075	2,075	....	71,921	2.9	67	67	....	1,543	1,543	....	70,345	2.2			
Bexar Cty. National Bank, San Antonio	2,041	2,041	....	59,550	3.4	30	30	....	1,364	1,364	....	57,010	2.4			
Laredo National Bank	1,971	....	....	54,536	3.6	....	....	....	3,482	....	....	52,898	6.6			
Citizens Nat'l B&T Co., Baytown	1,952	....	....	37,107	5.3	18	....	....	1,218	1,218	....	35,663	3.4			
First Bank & Trust Co., Lufkin	1,929	1,929	....	29,545	6.5	17	17	....	1,567	....	....	27,171	5.8			
Grayson Cty. State Bank, Sherman	1,857	1,857	....	19,249	9.5	16	16	....	2,647	2,647	....	19,229	13.8			
First National Bank, Brownsville	1,804	759	1,045	40,007	4.5	29	11	18	1,441	699	742	33,206	4.3			
Plains National Bank of Lubbock	1,747	1,747	....	27,931	6.3	6	6	....	1,078	1,078	....	23,756	4.5			
Bank of Commerce, Fort Worth	1,745	1,745	....	29,605	5.9	20	20	....	1,720	1,720	....	26,551	6.5			
First National Bank, Harlingen	1,735	1,735	....	42,150	4.1	14	14	....	2,175	2,175	....	40,628	5.4			
First Bank & Trust, Bryan	1,717	1,717	....	36,924	4.7	17	17	....	1,423	1,423	....	34,595	4.1			
East End State Bank, Houston	1,605	1,605	....	40,764	3.9	9	9	....	781	....	....	37,260	2.1			
San Jacinto State Bank, Pasadena	1,539	1,539	....	31,060	5.0	14	14	....	1,494	1,494	....	27,666	5.4			
Groos National Bank, San Antonio	1,426	1,426	....	59,309	2.4	17	17	....	1,607	1,607	....	57,197	2.8			
First Victoria National Bank	1,157	1,157	....	60,974	1.9	22	22	....	1,065	1,065	....	58,111	1.8			
River Oaks B&T Co., Houston	1,153	1,153	....	33,146	3.5	5	5	....	1,469	1,469	....	29,776	4.9			
Texas Bank & Trust Co., Jacksonville	1,136	1,136	....	17,554	6.5	11	11	....	....	....	....	....	..			
First National Bank of Paris	1,119	1,119	....	21,597	5.2	15	15	....	1,029	1,029	....	21,407	4.8			
Moody National Bank, Galveston	1,108	1,108	....	41,054	2.7	28	28	....	1,347	1,347	....	42,101	3.2			
Bank of North America, Houston	1,042	1,042	....	18,116	5.8	....	....	....	840	840	....	16,131	5.2			
First National Bank, Corsicana	993	993	....	37,530	2.6	14	14	....	919	919	....	36,827	2.5			
McAllen State Bank	974	974	....	34,491	2.8	9	8	1	1,170	1,169	1	30,962	3.8			
Commercial National Bank, Nacogdoches	968	968	....	20,171	4.8	11	11	....	1,301	1,301	....	18,733	6.9			
Municipal State Bank, Houston	941	941	....	13,626	6.9	5	5	....	942	942	....	13,586	6.9			

RESERVE DISTRICT NO. 11, Continued	September 30, 1970								Sept. 30 or Oct. 1, 1969							
	Due to Banks			Total Deposits	D. to B. to T'tl Dep.	No. Corresp. Banks			Due to Banks			Total Deps.	D. to B. to T'tl Dep.			
	Total $	Dom. $	Fgn. $	$	%	Total	Dom.	Fgn.	Total $	Dom. $	Fgn. $	$	%			
LOUISIANA																
Commercial National Bank, Shreveport	12,205	12,205	....	181,269	6.7	122	122	...	9,460	...	...	163,705	5.8			
Bossier Bank & Trust Co., Bossier City	5,557	5,557	....	50,597	11.0	55	55	...	4,500	4,500	...	43,313	10.4			
Louisiana Bank & Trust Co., Shreveport	2,873	2,873	....	46,859	6.1	40	40	...	4,043	4,043	...	48,090	8.4			
Central Savings B&T Co., Monroe	2,592	2,592	....	84,078	3.1	48	48	...	2,020	2,020	...	69,874	2.9			
Ouachita National Bank, Monroe	1,878	....	....	85,878	2.1	27	...	...	2,050	2,050	...	87,007	2.4			
TEXAS																
Republic National Bank, Dallas	283,767	278,784	4,984	1,434,896	19.8	1,350	1,233	117	212,067	207,172	4,895	1,132,571	18.7			
First National Bank, Dallas	220,519	217,946	2,573	1,269,189	17.4	887	829	58	231,128	227,766	3,362	1,264,626	18.3			
First City Nat'l Bank, Houston	171,162	167,227	3,934	1,025,907	16.7	..	...	...	137,227	133,972	3,256	977,344	14.0			
Texas Commerce Bank NA, Houston	141,363	138,996	2,367	865,896	16.3	561	475	86	99,354	96,195	3,159	879,655	11.3			
Bank of the Southwest NA, Houston	103,080	93,273	9,806	612,899	16.8	..	...	...	82,035	77,078	4,956	565,928	14.5			
Mercantile National Bank, Dallas	70,323	69,775	548	559,259	12.6	485	451	34	64,792	...	...	530,617	12.2			
First National Bank, Fort Worth	59,075	58,464	611	366,998	16.1	355	337	18	55,749	55,269	480	335,031	16.6			
Fort Worth National Bank	57,686	57,428	258	401,156	14.4	401	395	6	61,341	61,186	155	414,229	14.8			
Frost National Bank, San Antonio	50,503	....	....	342,190	14.8	..	...	...	36,916	...	...	297,483	12.4			
Texas Bank & Trust Co., Dallas	47,426	47,397	28	242,230	19.6	364	362	2	51,396	51,396	...	232,326	22.1			
National Bank of Commerce, Dallas	43,826	43,826	....	180,585	24.2	222	222	...	40,909	40,909	...	184,898	22.1			
Continental National Bank, Fort Worth	39,639	....	....	176,937	22.4	225	...	...	39,331	39,331	...	165,230	23.8			
Southern National Bank, Houston	31,756	31,756	....	117,159	27.1	96	96	...	27,282	...	...	98,420	27.7			
Continental Bank, Houston	31,221	31,221	....	96,752	31.3	147	147	...	30,539	30,539	...	94,212	32.4			
National Bank of Commerce, San Antonio	30,830	30,576	254	242,290	12.7	157	132	25	25,531	...	...	225,651	11.3			
Alamo National Bank, San Antonio	23,737	23,737	....	150,196	15.8	102	102	...	25,724	25,724	...	143,596	17.9			
Capital National Bank, Austin	23,378	23,378	....	168,178	13.9	374	374	...	22,034	22,034	...	160,984	13.7			
Capital National Bank, Houston	23,033	22,877	156	115,602	19.9	101	97	4	12,474	12,358	116	87,941	14.2			
Houston National Bank	22,251	20,905	1,347	248,041	9.0	294	254	40	25,669	...	...	245,446	10.5			
First National Bank, Amarillo	20,772	20,772	....	130,743	15.9	130	130	...	16,281	...	...	123,675	13.1			
Amarillo National Bank	19,788	19,788	....	113,909	17.4	118	118	...	14,994	14,994	...	100,831	14.9			
Citizens National Bank, Lubbock	19,437	19,437	....	91,318	21.3	85	85	...	24,198	...	...	84,289	28.7			
El Paso National Bank	17,743	16,223	1,520	162,660	10.9	99	81	18	15,391	13,090	2,301	169,897	9.0			
Austin National Bank	15,989	15,986	3	203,090	7.9	164	162	2	16,530	16,526	3	189,571	8.7			
American National Bank, Austin	15,534	15,534	....	138,846	11.2	255	255	...	13,062	13,062	...	126,895	10.3			
Houston Bank & Trust Co.	15,047	15,027	20	109,826	13.7	78	77	1	9,967	9,967	...	107,333	9.3			
Main Bank of Houston	12,993	12,993	....	53,073	24.5	32	32	...	17,619	17,619	...	51,751	34.0			
State National Bank, El Paso	12,557	12,067	490	154,366	8.2	71	60	11	11,489	10,066	1,423	143,114	8.0			
First National Bank, Lubbock	12,079	12,079	....	123,915	9.7	81	81	...	13,934	13,934	...	116,122	12.0			
Corpus Christi Bank & Trust Co.	11,189	11,189	....	83,905	13.3	37	37	...	3,874	3,874	...	73,711	5.3			
First Wichita National Bank	11,122	11,122	....	142,868	7.8	129	129	...	10,267	10,267	...	139,522	7.4			
First National Bank, Waco	10,451	10,451	....	105,906	9.9	55	55	...	7,344	7,344	...	98,427	7.5			
Lubbock National Bank	9,752	9,752	....	94,971	10.3	63	63	...	9,856	9,856	...	82,435	12.0			
[illegible] National Bank, Beaumont	9,291	9,291	#	87,501	10.6	61	60	1	7,411	7,411	#	85,961	8.9			
Citizens National Bank, Waco	9,256	9,256	....	101,552	9.2	93	93	...	...	...	...	...	...			
Sharpstown State Bank, Houston	7,666	7,666	....	75,698	10.1	19	19	...	6,508	...	...	73,787	8.8			
Exchange Bank & Trust Co., Dallas	7,342	7,342	....	90,673	8.1	70	70	...	8,089	8,089	...	92,067	8.8			
Medical Center National Bank, Houston	7,281	7,281	....	41,598	17.5	13	13	...	3,323	3,323	...	37,761	8.8			
Corpus Christi State National Bank	7,051	7,051	....	156,569	4.7	61	61	...	5,597	5,597	...	119,640	4.7			
First National Bank, Midland	6,871	6,830	41	160,618	4.3	56	54	2	7,259	...	...	156,565	4.6			
First National Bank, Abilene	6,869	6,869	....	64,864	10.6	49	49	...	6,630	6,630	...	63,473	10.4			
First Security National Bank, Beaumont	6,599	6,599	....	120,587	5.5	43	43	...	6,377	6,377	...	131,703	4.8			
City National Bank, Wichita Falls	6,519	6,519	....	90,423	7.2	79	79	...	6,516	6,516	...	90,402	7.2			
Victoria Bank & Trust Co.	6,483	6,480	3	89,411	7.2	77	76	1	6,095	6,093	2	84,266	7.2			
Tyler Bank & Trust Co.	6,180	6,180	....	48,731	12.7	50	50	...	...	...	...	...	...			
Southwest National Bank, El Paso	5,858	5,727	131	48,067	12.2	26	22	4	2,899	2,753	146	41,143	7.0			
Midland National Bank	5,350	5,350	....	72,008	7.4	39	39	...	5,270	5,270	...	68,623	7.7			
International Bank, Houston	5,209	5,209	....	31,185	17.3	20	20	...	4,700	4,700	...	28,050	16.8			
Fidelity Bank & Trust Co., Houston	5,187	5,187	....	39,811	13.0	..	...	...	...	...	...	...	...			
San Angelo National Bank	5,034	5,034	....	57,475	8.8	26	26	...	5,869	5,869	...	61,534	9.5			
Citizens Bank, Houston	4,797	4,797	....	61,338	7.9	37	37	...	7,116	7,116	...	63,616	11.2			
Citizens National Bank, Abilene	4,374	4,374	....	65,464	6.7	..	...	...	4,257	4,257	...	64,168	6.6			
South Main Bank, Houston	4,251	4,251	....	60,051	7.1	28	28	...	3,901	3,901	...	57,741	6.8			
First National Bank, Killeen	4,191	4,191	....	27,327	15.5	4	4	...	2,010	2,010	...	25,006	8.0			
Peoples National Bank, Tyler	3,941	3,941	....	56,636	7.0	44	44	...	3,197	3,197	...	53,670	6.0			
Harrisburg Bank, Houston	3,637	....	....	44,690	8.1	..	...	...	1,518	1,518	...	39,127	3.9			
Central National Bank, San Angelo	3,634	....	....	49,314	7.4	17	...	...	2,667	2,667	...	47,472	5.6			
First National Bank, San Antonio	3,627	3,627	....	30,323	12.0	23	23	...	3,641	3,641	...	29,351	12.4			
Northside State Bank, Houston	3,499	3,499	....	34,291	10.2	..	...	...	4,745	4,745	...	35,696	13.3			
First National Bank, Odessa	3,289	3,289	....	46,812	7.0	14	14	...	2,687	2,687	...	47,906	5.6			
First National Bank, San Angelo	3,203	3,203	....	34,550	9.3	20	20	...	4,144	4,144	...	37,158	11.1			
Fannin Bank, Houston	3,005	3,005	....	78,636	3.8	20	20	...	...	...	...	...	...			
Citizens First National Bank, Tyler	2,856	2,856	....	52,545	5.4	26	26	...	2,855	...	...	52,020	5.5			
First Pasadena State Bank	2,795	2,795	....	68,691	4.1	19	19	...	2,468	2,468	...	65,813	3.8			
Temple National Bank	2,696	2,656	....	38,043	7.0	27	27	...	2,838	2,838	...	35,103	8.1			
United States National Bank, Galveston	2,630	....	....	41,284	6.4	45	...	...	2,456	...	...	38,910	6.3			
State National Bank, Denison	2,562	....	....	28,768	8.9	37	...	...	2,414	2,414	...	26,771	9.0			
Main Bank & Trust Co., San Antonio	2,321	2,321	....	59,265	3.9	36	36	...	2,487	2,487	...	56,444	4.4			
Preston State Bank, Dallas	2,075	2,075	....	71,821	2.9	67	67	...	1,543	1,543	...	70,345	2.2			
Sexar Cty. National Bank, San Antonio	2,041	2,041	....	59,550	3.4	30	30	...	1,364	1,364	...	57,010	2.4			
Laredo National Bank	1,971	....	....	54,536	3.6	..	...	...	3,482	...	...	52,898	6.6			
Citizens Nat'l B&T Co., Baytown	1,552	....	....	37,107	5.3	18	...	...	1,218	1,218	...	35,663	3.4			
First Bank & Trust Co., Lufkin	1,929	1,929	....	29,645	6.5	17	17	...	1,567	...	...	27,171	5.8			
Grayson Cty. State Bank, Sherman	1,837	1,837	....	19,249	9.5	16	16	...	2,647	2,647	...	19,229	13.8			
First National Bank, Brownsville	1,804	759	1,045	40,007	4.5	29	11	18	1,441	699	742	33,206	4.3			
Plains National Bank of Lubbock	1,747	1,747	....	27,931	6.3	6	6	...	1,078	1,078	...	23,796	4.5			
Bank of Commerce, Fort Worth	1,745	1,745	....	29,605	5.9	20	20	...	1,720	1,720	...	26,551	6.5			
First National Bank, Harlingen	1,735	1,735	....	42,150	4.1	14	14	...	2,175	2,175	...	40,628	5.4			
First Bank & Trust, Bryan	1,717	1,717	....	36,924	4.7	17	17	...	1,423	1,423	...	34,505	4.1			
East End State Bank, Houston	1,605	1,605	....	40,764	3.9	9	9	...	781	...	...	37,260	2.1			
San Jacinto State Bank, Pasadena	1,539	1,539	....	31,060	5.0	14	14	...	1,494	1,494	...	27,666	5.4			
Groos National Bank, San Antonio	1,426	1,426	....	59,309	2.4	17	17	...	1,607	1,607	...	57,197	2.8			
First Victoria National Bank	1,157	1,157	....	60,974	1.9	22	22	...	1,065	1,065	...	58,111	1.8			
River Oaks B&T Co., Houston	1,153	1,153	....	33,146	3.5	5	5	...	1,469	1,469	...	29,776	4.9			
Texas Bank & Trust Co., Jacksonville	1,136	1,136	....	17,554	6.5	11	11	...	...	...	...	...	...			
First National Bank of Paris	1,119	1,119	....	21,597	5.2	15	15	...	1,029	1,029	...	21,407	4.8			
Moody National Bank, Galveston	1,108	1,108	....	41,054	2.7	28	28	...	1,347	1,347	...	42,101	3.2			
Bank of North America, Houston	1,042	1,042	....	18,116	5.8	..	...	...	840	840	...	16,131	5.2			
First National Bank, Corsicana	993	993	....	37,530	2.6	14	14	...	919	919	...	36,827	2.5			
McAllen State Bank	974	974	....	34,491	2.8	9	8	1	1,170	1,169	1	30,962	3.8			
Commercial National Bank, Nacogdoches	968	968	....	20,171	4.8	11	11	...	1,301	1,301	...	18,733	6.9			
Meyerland State Bank, Houston	941	941	....	13,628	6.9	5	5	...	942	942	...	13,586	6.9			
Republic National Bank, Houston	941	941	....	21,463	4.4	7	7	...	685	685	...	19,011	3.6			
South Oak Cliff State Bank, Dallas	940	....	....	30,211	3.1	11	...	...	634	634	...	29,585	2.1			
Coleman Bank	934	934	....	11,711	8.0	6	6	...	887	887	...	11,294	7.9			
First National Bank, McAllen	931	334	597	33,483	2.8	12	4	8	1,093	316	777	30,355	3.6			
First National Bank, Port Arthur	884	884	....	64,937	1.4	8	8	...	842	...	...	63,192	1.3			
Merchants National Bank, Port Arthur	840	840	....	55,168	1.5	5	5	...	709	709	...	53,875	1.5			
Citizens State Bank, Dickinson	829	829	....	17,031	4.9	2	...	...	614	614	...	15,692	3.9			
Merchants & Planters Nat'l Bank, Sherman	792	792	....	47,349	1.7	18	18	...	636	636	...	49,003	1.3			
First National Bank, Longview	774	774	....	34,241	2.3	14	14	...	847	847	...	31,144	2.7			
First Bank & Trust Co., Richardson	760	760	....	11,584	6.6	8	8	...	811	...	...	12,967	6.2			
League City State Bank	757	757	....	19,270	4.0	4	4	...	657	657	...	14,463	4.6			

*—All figures exclude deposits in overseas branches unless otherwise noted. Components may not add to totals due to rounding. ‡—Includes subsidiaries.

1970 CORRESPONDENT BANKING SURVEY

BANKS WITH CORRESPONDENT DEPOSITS OVER $500,000 (,000's omitted in $ figures)*

AS REPORTED SEPT. 30 1970 AND SEPT. 30 OR OCT. 1, 1969

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RESERVE DISTRICT NO. 11, Continued	Sept. 30, 1970 Due to Banks Total $	Dom. $	Fgn. $	Total Deposits $	D. to B. to T'tl Dep. %	No. Corresp. Banks Total	Dom.	Fgn.	Sept. 30 or Oct. 1, 1969 Due to Banks Total $	Dom. $	Fgn. $	Total Deps. $	D. to B. to T'tl Dep. %
Central National Bank, Houston	696	....	....	25,358	2.8	4	...	...	452	...	...	21,166	2.1
Pan American Bank, Brownsville	680	87	594	23,108	3.0	21	5	16	887	243	644	22,827	3.9
City National Bank, Bryan	664	664	....	24,327	2.8	11	11	...	529	...	...	21,361	2.5
Brownfield State B&T Co.	649	649	....	13,163	4.9	8	8	...	504	504	...	15,502	3.2
Snyder National Bank	632	632	....	20,721	3.1	7	7	...	752	752	...	18,464	4.1
Commercial State Bank, El Campo	602	602	....	14,711	4.1	9	9	...	656	...	...	14,079	4.7
First Greenville National Bank	590	590	....	26,679	2.2	25	25	...	698	698	...	28,227	2.5
Gulfgate State Bank, Houston	551	551	....	27,831	2.0	3	3	...	551	551	...	25,394	2.2
First State Bank, Bellaire	551	551	....	47,360	1.2	9	9	...	455	455	...	43,039	1.1
First National Bank, Marshall	518	518	....	25,389	2.0	6	6	...	475	475	...	23,084	2.1
Citizens National Bank, Greenville	502	502	....	20,651	2.4	17	17	...	819	819	...	19,099	4.3

FEDERAL RESERVE DISTRICT No. 12

ALASKA

National Bank of Alaska, Anchorage	642	515	127	188,031	0.3	10	7	3	392	349	43	157,414	0.2
First National Bank, Anchorage	639	639	...	158,121	0.4	9	9	...	489	489	...	128,331	0.4

ARIZONA

Valley National Bank, Phoenix	18,067	15,206	2,860	1,451,349	1.2	133	48	85	10,868	8,392	2,276	1,320,196	0.8
First Nat'l Bank of Arizona, Phoenix	4,358	3,548	810	852,312	0.5	62	34	28	4,948	3,973	975	778,834	0.6
Arizona Bank, Phoenix	2,804	2,273	530	395,659	0.7	30	13	17	1,898	1,130	768	332,540	0.6
United Bank of Arizona, Phoenix	1,227	1,227	...	110,127	1.1	10	10	...	580	580	...	102,866	0.6

CALIFORNIA

Bank of America NT&SA, San Francisco	255,873	180,946	74,927	17,732,771	1.4	1,711	553	1,158	254,388	184,825	69,563	16,296,970	1.6
United California Bank, Los Angeles	250,126	215,355	34,831	3,706,719	6.7	811	405	406	150,229	126,949	23,280	3,518,965	4.3
Bank of California NA, San Francisco	130,791	100,957	29,835	1,522,277	8.6	...	...	...	108,379	84,626	23,753	1,500,554	7.2
Crocker-Citizens Nat'l Bank, San Francisco	104,701	77,578	27,123	4,013,343	2.6	818	225	593	188,334	160,503	27,831	4,063,017	4.6
Security Pacific NB, Los Angeles	92,019	73,967	18,053	6,025,831	1.5	480	294	186	105,730	87,850	17,879	5,595,074	1.9
Wells Fargo Bank NA, San Francisco	89,894	71,765	18,129	4,691,238	1.9	679	330	349	120,090	96,177	23,913	4,445,968	2.7
Union Bank, Los Angeles	69,981	58,886	11,095	1,624,551	4.3	265	158	107	57,645	43,538	14,107	1,401,149	4.1
First Western B&T Co., Los Angeles	42,284	23,573	18,711	862,564‡	4.9	247	69	178	32,914	21,184	11,730	781,821	4.2
Hongkong & Shanghai Bnkg. Cp., San Francisco	16,576	702	15,874	73,840	22.5	50	8	42	...	...	...	...	...
Bank of Tokyo of California, San Francisco	8,819	8,352	467	312,817	2.8	16	13	3	12,528	11,958	570	229,809	5.2
Sumitomo Bank of California, San Francisco	8,711	335	8,376	247,220	3.5	7	3	4	11,078	790	10,288	202,383	5.5
California Canadian Bank, San Francisco	6,939	189	6,751	89,404	7.8	14	7	7	5,671	597	5,074	92,329	6.1
City National Bank, Beverly Hills	3,703	3,607	95	356,216	1.0	20	18	2	3,663	3,488	175	326,512	1.1
Central Valley National Bank, Oakland	2,768	2,098	670	227,658	1.2	72	9	63	1,320	456	864	207,738	0.6
Manufacturers Bank, Los Angeles	2,254	1,888	366	68,248	3.3	31	14	17	902	620	282	56,952	1.6
United States Nat'l Bank, San Diego	1,099	85	1,015	465,173	0.2	17	13	4	2,445	2,083	362	462,222	0.6
Southern California First NB, San Diego	992	432	560	577,051	0.2	...	...	...	836	454	382	503,930	0.2

HAWAII

Bank of Hawaii, Honolulu	11,879	7,474	4,405	604,778	2.0	104	43	61	7,572	4,359	3,213	508,520	1.4
First Hawaiian Bank, Honolulu	5,172	2,467	2,705	518,459	1.0	78	44	34	4,980	3,067	1,913	459,938	1.1
Central Pacific Bank, Honolulu	804	361	443	98,824	0.8	9	6	3	272	121	151	80,994	0.3
American Security Bank, Honolulu	962	544	18	107,503	0.5	11	9	2	771	731	40	91,825	0.8

IDAHO

Idaho First National Bank, Boise	4,171	4,171	...	472,060	0.9	31	31	...	2,020	2,020	...	421,450	0.5
Idaho State B. & Trust Co., Pocatello	1,229	1,229	...	85,768	1.4	5	5	...	543	543	...	74,352	0.7
First Security Bank of Idaho NA, Boise	1,003	1,003	...	365,167	0.3	16	16	...	1,300	1,300	...	358,871	0.4
Bank of Idaho, Boise	530	530	...	147,395	0.4	...	...	...	1,178	1,178	...	156,456	0.8

NEVADA

First Nat'l Bank of Nevada, Reno	4,254	4,238	16	571,996	0.7	20	18	2	3,839	3,787	52	504,412	0.8
Valley Bank of Nevada, Las Vegas	1,526	...	...	174,654	0.9	31	...	...	2,226	2,226	...	179,365	1.3

OREGON

First Nat'l Bank of Oregon, Portland	31,682	28,182	3,500	1,637,134	1.9	173	95	78	28,922	21,962	6,960	1,608,500	1.8
United States Nat'l Bank, Portland	20,387	18,457	1,930	1,457,393	1.4	144	105	39	16,565	14,594	1,970	1,476,957	1.1
Oregon Bank, Portland	665	665	#	121,273	0.5	12	11	1	743	733	9	94,638	0.8

UTAH

First Security Bank of Utah NA, Oregon	22,733	22,684	49	479,546	4.7	69	68	1	12,063	11,994	69	467,639	2.6
Continental B&T Co, Salt Lake City	14,606	14,606	...	105,593	13.8	56	56	...	16,146	16,146	...	104,747	15.4
Zions First Nat'l Bank, Salt Lake City	6,835	...	...	243,213	2.8	47	...	...	5,396	5,396	...	201,421	2.7
Walker B&T Co., Salt Lake City	6,795	6,767	28	262,434	2.6	63	61	2	8,147	8,113	34	238,414	3.4
Commercial Security Bank, Ogden	4,777	4,777	...	103,944	4.6	19	19	...	6,518	6,518	...	94,631	6.9

WASHINGTON

Seattle-First National Bank	77,083	40,637	36,451	1,826,003	4.2	195	90	105	60,716	38,410	22,306	1,646,335	3.7
National Bank of Commerce, Seattle	33,066	...	...	1,075,415	3.1	...	...	...	33,477	...	...	1,013,246	3.3
Pacific NB of Washington, Seattle	16,992	15,813	1,179	606,974	2.8	121	97	24	3,106	1,553	1,553	271,700	0.8
Peoples Nat'l Bank of Washington, Seattle	10,439	9,651	837	388,656	2.7	86	78	8	11,096	10,475	621	386,734	2.9
Seattle Trust & Savings Bank	7,278	7,262	16	148,119	4.9	37	36	1	...	...	...	...	...
Old National Bank, Spokane	4,949	4,901	48	295,598	1.7	36	35	1	6,255	6,191	64	260,023	2.4
Washington Trust Bank, Spokane	2,315	2,315	...	82,040	2.8	...	...	...	1,788	1,788	...	82,154	2.2
Puget Sound National Bank, Tacoma	1,746	1,644	101	178,340	1.0	25	22	3	2,391	2,070	321	173,012	1.4

*—All figures exclude deposits in overseas branches unless otherwise noted. Components may not add to totals due to rounding. ‡—Includes subsidiaries. §—Includes foreign branches. #—Under $500.

DX 19

APPLICATION

to

THE BOARD OF GOVERNORS
OF THE FEDERAL RESERVE SYSTEM

by

THE FIRST NATIONAL BANCORPORATION, INC.

FOR PRIOR APPROVAL TO ACQUIRE MORE THAN EIGHTY PERCENT OF THE OUTSTANDING SHARES OF

THE FIRST NATIONAL BANK OF GREELEY
GREELEY, COLORADO

APPLICATION

To the Board of Governors of The Federal Reserve System

by

THE FIRST NATIONAL BANCORPORATION, INC.
(Name of Applicant)

621 Seventeenth Street, Denver, Colorado 80202
(Address)

FOR PRIOR APPROVAL OF ACQUISITION OF BANK SHARES PURSUANT TO SECTION 3(a)(3) OF THE BANK HOLDING COMPANY ACT OF 1956, AS AMENDED

APPLICATION

FOR PRIOR APPROVAL OF ACQUISITION OF BANK SHARES PURSUANT TO SECTION 3(a)(3) OF THE BANK HOLDING COMPANY ACT OF 1956, AS AMENDED

THE FIRST NATIONAL BANCORPORATION, INC.
(Name of Applicant)

(hereinafter called the Applicant), a Corporation organized under the laws of Colorado, and having its principal place of business at Denver, Colorado, hereby applies to the Board of Governors of the Federal Reserve System (hereinafter called the Board), pursuant to section 3(a)(3) of the Bank Holding Company Act of 1956, as amended, for prior approval by the Board of the acquisition by the Applicant of direct or indirect owership, control, or power to vote, of 80% or more of the voting shares of:

THE FIRST NATIONAL BANK OF GREELEY
(Name of Bank)

1025—9th Avenue, Greeley, Colorado 80631
(Address)

(hereinafter called the Bank or Greeley).

For the purpose of obtaining the Board's prior approval of the acquisition of direct or indirect ownership, control, or power to vote of 80% or more of the voting shares of The First National Bank of Greeley, Greeley, Colorado, the Applicant submits herewith as part of this application the following Exhibits prepared in accordance with the general information and instructions as required by Section 3(a)(3) of The Bank Holding Company Act of 1956, as amended.

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Exhibit G-3—Graph Indicating Per Cent of Number of Lien Documents Filed in Greeley's Primary Service Area G-16

The Applicant represents that the information contained in this application is true and complete to the best of its knowledge and belief.

Executed this ..... day of ....., 19..

THE FIRST NATIONAL BANCORPORATION, INC.
(Name of Applicant)

By .....
(Authorized Officer)

ATTEST:

Applicant—	The First National Bancorporation, Inc.
First National—	The First National Bank of Denver.
Bear Valley—	The First National Bank of Bear Valley.
North Glenn—	The First National Bank of North Glenn.
Southglenn—	The First National Bank of Southglenn.
Greeley or Bank—	The First National Bank of Greeley.
Board—	The Board of Governors of The Federal Reserve System.

EXHIBIT A

RESOLUTION:

The Applicant's Board of Directors, or other appropriate governing body, shall authorize the execution and delivery of this application to the Board by a resolution substantially in the form as that which follows:

> RESOLVED, that Eugene H. Adams, the President, and Bruce D. Alexander, the Executive Vice President, of The First National Bancorporation, Inc., (hereinafter called the Applicant), or either of them, be, and they hereby are, authorized and empowered for and in the name and on behalf of the Applicant to execute and deliver to the Board of Governors of the Federal Reserve System, pursuant to section 3(a)(3) of the Bank Holding Company Act of 1956, as amended, an application for prior approval by the Board of the acquisition by the Applicant of direct or indirect ownership, control or power to vote, of 80% or more of the voting shares of The First National Bank of Greeley, 1025 Ninth Avenue, Greeley, Colorado 80631.

CERTIFICATE

I HEREBY CERTIFY that the foregoing is a true and correct copy of a resolution adopted by the Board of Directors of The First National Bancorporation, Inc. at a meeting duly called and held at Denver, Colorado on the 26th day of May, 1969, at which meeting a quorum was present and voted.

.....
(Secretary)

(SEAL)

EXHIBIT B

DESCRIPTION OF PROPOSED TRANSACTION

1. *Total number of shares, by class, now outstanding, number of additional shares to be issued, if any, and the par value per share of all such stock.*

Greeley has only one class of shares, being Common Capital Stock, with 150,000 such shares authorized, issued, and outstanding with a $10 par value. There are no additional shares to be issued.

2. *The number of such shares, if any, owned, controlled, or held with power to vote by Bank, either directly or indirectly, showing the cost and carrying value of such shares and describing the manner by which such shares were acquired.*

Greeley as Trustee under Agreement with Mary Elizabeth Smith holds 150 shares of common stock of Greeley. These shares are carried on the books of the Trust Department of Greeley at a value of $4,800 and were acquired via a living, revocable trust on January 11, 1967. Greeley does not have power to vote these shares.

3. *The number of such shares, if any, owned, controlled, or held with power to vote by Applicant and/or by each of its subsidiaries, either directly or indirectly, showing the cost and carrying value of such shares and describing the manner by which such shares were acquired.*

None .....

4. *The number of such shares, if any, held or controlled by trustees, either directly or indirectly, for the benefit of Bank, Applicant, or any of their subsidiaries, or any shareholders or employees of Bank, Applicant, or any of their subsidiaries.*

None

5. *Whether the Applicant or any of its subsidiaries is a borrower or lender with respect to any loan collateraled by shares of the Bank, showing for each such loan the name of the lender, the name of the borrower, the amount of the loan, the number of shares held as collateral, and the dependency of the loan upon the Bank's stock.*

(See "CONFIDENTIAL" attached.)

. Whether any stockholder of Bank, holding 20 per cent or nore of the total shares of voting stock outstanding, has a oan or loans outstanding collateraled by such shares. If o, for each such loan furnish the date of the loan, the name f the lender, the name of the borrower, the original amount nd present balance of the loan, the number of shares of Bank's stock held as collateral, and the dependency of the oan upon the Bank's stock.

No person or company holds 20 per cent or more of the utstanding stock of Greeley.

. The number and class of such shares proposed to be acuired by Applicant and/or by each of its subsidiaries, ndicating:

(a) *The number of shares to be acquired by cash purchase, the amount proposed to be paid per share, and in total, by each purchaser, the method by which the purchase price was determined and the source of the funds to be applied to the purchase;*

None

(b) *The number of shares to be acquired by exchange of stock, the exchange ratio, the method by which t was determined, and the number and class of the shares o be exchanged.*

The number of shares to be acquired by exchange of stock is 80 per cent or more of the 150,000 outstanding shares of common stock of Greeley. The exchange ratio is 1.55 shares of Applicant's stock for each share of Greeley.

The exchange ratio was determined on March 21, 1969, at a special meeting of Applicant's Board of Directors to be as follows: To Book Value Per Share as adjusted below (*), Applicant applied a factor of 217 per cent resulting in an offering price per share of $76.64. Assuming all 150,000 shares of Greeley were offered for exchange, and using that dollar figure half-way between the "Bid" and "Asked" price of Applicant's stock on the Over-the-Counter Securities listing in the Rocky Mountain News on March 21, 1969, 232,242 shares of Applicant's stock would be required. This number of shares, when converted to an exchange ratio, resulted in a ratio of 1.54828 shares of Applicant for each share of Greeley. For convenience, the exchange ratio was rounded to 1.55 shares of Applicant's stock for each share of Greeley. Therefore, the total num-

ber of Applicant's shares to be issued, if all of Greeley's 150,000 shares were tendered for exchange, would be 232,500.

(*) Based upon figures of Greeley as of December 31, 1968, provided to Applicant, the Adjusted Book Value was computed as follows:

Capital Stock		$1,500,000
Surplus		1,500,000
Undivided Profits		1,420,137
Total Capital Funds		$4,420,137
Adjustment to record the difference between the estimated replacement value of fixed assets and the carrying value of such assets:		
Replacement Value =	$1,700,000	
Carrying Value =	945,217	754,783
Adjustment to record the difference between carrying value and approximate market value of U. S. Government and Municipal securities after adjustments for income tax:		
Carrying Value =	$11,189,714	
Market Value =	10,965,920	
Difference =	223,794	
Less Income Tax at 55.632% =	124,501	(99,293)
Reserve for Loan Losses less applicable income tax:		
Total Reserve =	$ 502,119	
Less Income Tax at 55.632% =	279,339	222,780
Total Adjusted Book Value		$5,298,407
Adjusted Book Value Per Share		$35.32

8. *Description of all offers made to the present shareholders of the Bank, indicating whether such offers were made to all shareholders. Submit a copy of any written offer, agreement, or contract, and of any prospectus pertaining to the proposed transaction.*

No offer, agreement or contract has been sent to any shareholder of Greeley nor has a prospectus been prepared pertaining to the proposed transaction. The Board of Directors of Greeley voted unanimously to accept and support a verbal offer by Applicant for 80 per cent or more of the outstanding shares of Greeley on a basis of 1.55 shares of Applicant's stock for each share of Greeley's stock. A copy of the prospectus covering said offer will be filed as a supplement to this application as soon as the Offering becomes effective.

9. *The recent market price or bid and asked prices for the Bank's shares and the Applicant's shares and the date of such quotations. If there is no market for the stock of either, indicate the date of the last sale of any significant block of stock and show the price paid and the number of shares involved.*

Applicant's shares are regularly listed in the Rocky Mountain News Over-the-Counter Securities section and showed a low bid in January, 1969 of $43, a high bid in May, 1969 of $53, a low asked price in January, 1969 of $45, and a high asked price in May, 1969 of $56. As of March 21, 1969, the bid price was $49 and the asked price was $52 per share.

There are few sales of shares of Greeley. During the twelve months prior to March 21, 1969, 7,351 shares were sold at prices ranging from a low of $33.625 per share to a high of $36.50 per share, such price being paid for 250 shares on March 13, 1969.

10. *Information regarding any consideration, monetary or otherwise, that has been paid, given, or offered to any shareholder, director, or officer of the Bank in connection with the consummation of the proposed transaction. Include any formal or informal agreement relating to payment of compensation, after consummation of the proposed transaction, in any form, such as salary, bonus, or retirement allowance, showing to what extent, and in what manner, such information has been disclosed to all shareholders of the Bank.*

None

11. *Information as to which party made the initial approach, Applicant or Bank, with respect to this proposed transaction and an explanation of the manner and nature of this approach.*

The President of Greeley approached the President of Applicant questioning whether Applicant would be interested in acquiring the outstanding shares of Greeley. Subsequent to this approach, the Executive Vice President of Applicant together with legal counsel carried on extensive negotiations with the President and Executive Vice President of Greeley, which negotiations culminated in the unanimous vote of Greeley's Directors to accept and support the contingent verbal offer.

EXHIBIT C

FINANCIAL HISTORY AND CONDITION, MANAGEMENT, AND FUTURE PROSPECTS OF APPLICANT

1. *Financial information, preferably in columnar form, consisting of:*

(a) *A balance sheet of the Applicant, showing separately each principal group or class of assets, liabilities, and capital accounts, and similar in form to that which would be sent to, or prepared for, its shareholders, as of the date of the application, or as of a date not in excess of three months prior thereto provided a summary statement is included of all significant changes in the interim to the date of the application or that there have been no such changes;*

(b) *Debit and credit adjustments, explained by footnotes, to each asset, liability, and capital account relating to each proposed transaction; and*

(c) *The resulting pro forma balance sheet.*

See Exhibit C-1 attached.

2. *Summary analysis of each of Applicant's surplus and undivided profits accounts, and of each reserve account which represents a segregation of surplus or undivided profits, for the current fiscal year to the date of the balance sheet furnished in Item 1(a) above.*

See Exhibit C-2 attached.

3. *Balance sheet of each nonbanking subsidiary as of the date of the Applicant's balance sheet submitted in Item 1(a) above, and a statement showing any significant changes in the subsidiary's financial condition in the interim to the date of the application.*

None

4. *A separate summary analysis of each surplus and undivided profits account, and each reserve account which represents a segregation of earnings, of each nonbanking subsidiary for its current fiscal year to the date of the balance sheet.*

None

5. *Balance sheets of the Applicant, preferably in comparative columnar form, as of the end of each of its most recent*

five fiscal years showing separately each principal group or class of assets, liabilities, and capital accounts. Investments in subsidiaries shall be segregated as to banks and nonbanking organizations.

Reference is made to Annual Report on Form F. R. Y-6 filed with the Board for the fiscal year 1968. (Operations commenced October 18, 1968.)

6. *Summary analysis of each of Applicant's surplus and undivided profits accounts, and of each reserve account which represents a segregation of surplus or undivided profits, for each of its preceding five fiscal years.*

See Number 5. above.

7. *Any plans involving capital improvement programs of Applicant or any of its subsidiaries.*

Applicant, Bear Valley, and North Glenn—NONE.

First National—Because of space limitations, First National is presently undertaking an exhaustive study to determine the feasibility of erecting an addition to its present building or erecting a major office building on a site adjacent to its present building. Depending upon the results of the study, First National, if it does not build on its own site, may either lease space in a new major office building without direct ownership or become a partner with others in such an office building. First National owns or holds options on one entire block adjacent to its present site, which is only one of several locations under consideration. A final decision regarding the location, size, and ownership of the contemplated office building has, as yet, not been made. First National's space needs are estimated at 350,000 square feet by 1975.

Southglenn—Applicant has begun construction of a new banking facility which will be leased to Southglenn on competitive terms. Total cost is estimated not to exceed $310,000, and completion is estimated for spring of 1970.

8. *Copy of the Applicant's latest annual report which was sent to, or prepared for its shareholders.*

See Exhibit C-3 attached.

9. *List of directors, trustees, and principal officers of the Applicant, or persons exercising similar functions, providing information in connection with each as follows:*

(a) *Name and address (city and State only);*

(b) *Number of each class of shares of Applicant and Bank owned of record and segregated as to individual ownership and joint ownership with others;*

(c) *Title of position with the Applicant, and similar connections with each subsidiary bank of the Applicant; and*

(d) *Principal occupation if other than with the Applicant.*

Name, Principal Occupation and Address	Number of Applicant's Shares Owned of Record March 21, 1969		Title or Position with Applicant and Its Subsidiaries
	Individually	*Jointly*	
Montgomery Dorsey Principal Occupation: Senior Partner, Law Firm of Hughes & Dorsey Denver, Colorado	7,094	—	Chairman of the Board and Director of Applicant; Chairman of the Board and Director of First National.
Eugene H. Adams Principal Occupation: Banker Denver, Colorado	8,279	—	President and Director of Applicant; President and Director of First National; Chairman of the Board and Director of Southglenn.
Bruce D. Alexander Principal Occupation: Banker Denver, Colorado	3,860	—	Executive Vice President and Director of Applicant; Senior Vice President of First National; Director of Bear Valley; Director of North Glenn; Vice President of Southglenn.
Lee C. Ashley Principal Occupation: Banker Denver, Colorado	2,766	—	Treasurer and Director of Applicant; Senior Vice President and Cashier of First National; Chairman of the Board of Bear Valley; Vice President and Director of Southglenn.
G. B. Aydelott Principal Occupation: President and Director of The Denver & Rio Grande Western Railroad Company Denver, Colorado	47	—	Director of Applicant; Director of First National.
Richard P. Brown Principal Occupation: Banker Denver, Colorado	2,301	—	Director of Applicant; Senior Vice President and Executive Trust Officer of First National; Director of First National.

Name, Principal Occupation and Address	Number of Applicant's Shares Owned of Record March 21, 1969		Title or Position with Applicant and Its Subsidiaries
	Individually	*Jointly*	
Edward B. Close, Jr. Principal Occupation: Partner, Law Firm of Hughes & Dorsey Denver, Colorado	32	—	Secretary and Director of Applicant; Director of Bear Valley.
John Evans, Jr. Principal Occupation: President, Evans Investment Co. Denver, Colorado	2,091	—	Director of Applicant; Director of First National.
Richard S. Fitzgerald Principal Occupation: Banker Denver, Colorado	41	201	Vice President of Applicant; Vice President of First National.
W. Coles Hudgins Principal Occupation: Executive Vice President of Mountain States Telephone & Telegraph Company Denver, Colorado	161	—	Director of Applicant; Director of First National.
Samuel T. Jones Principal Occupation: President, Sam Jones Agency, Inc. Pueblo, Colorado	—	—	Director of Applicant.
John M. King Principal Occupation: Chairman of the Board, King Resources Co. Denver, Colorado	44,037	—	Director of Applicant; Director of First National.
William H. Kistler Principal Occupation: President, W. H. Kistler Stationery Co. Denver, Colorado	303	—	Director of Applicant; Director of First National.
Oliver P. LeCompte Principal Occupation: President, Transmix Concrete Co. Colorado Springs, Colorado	31	—	Director of Applicant.
Davis W. Moore Principal Occupation: Investments Denver, Colorado	8,579	—	Director of Applicant; Director of First National.

J. Sims Norman, M. D. Principal Occupation: Physician Pueblo, Colorado	15,541	—	Director of Applicant; Director of First National.
Gerald H. Phipps Principal Occupation: President, Gerald H. Phipps, Inc. Denver, Colorado	4,891	—	Director of Applicant; Director of First National.
Donald E. Provost Principal Occupation: President, Stearns-Roger Corp. Denver, Colorado	15	—	Director of Applicant; Director of First National.
Barry Morey Sullivan Principal Occupation: Investments Denver, Colorado	6,695	—	Director of Applicant; Director of First National.
Russell T. Tutt Principal Occupation: President, El Pomar Investment Co. Colorado Springs, Colorado	152	—	Director of Applicant; Director of First National.
William M. White, Jr. Principal Occupation: Chairman of the Board and President, Great Western United Corporation. Denver, Colorado	—	—	Director of Applicant.

As of March 21, 1969, none of the above officers or directors of the Applicant owned any shares of Greeley.

10. *Additions or other changes contemplated to be made in the membership of the board of directors and the roster of principal officers of Applicant, furnishing with respect to each proposed new director and principal officer the same information as requested in Item 9 above.*

Mr. Robert M. Gilbert, President of Greeley, will be asked to serve as a director of Applicant. As of March 21, 1969, Mr. Gilbert owned no shares of Applicant. Mr. Gilbert owned, as of March 21, 1969, in his own name 375 shares of Greeley; jointly with his wife 195 shares of Greeley; and through Monroe Corporation, a corporation wholly owned

by Mr. Gilbert and his wife, an additional 13,035 shares of Greeley.

11. *For each banking or nonbanking subsidiary, acquired by Applicant subsequent to the filing of Applicant's most recent Annual Report filed with the Board of Governors on Form F. R. Y-6, submit the following information, showing:*

(a) *Name and location of the bank or company;*
(b) *Brief description of its business activities;*
(c) *Number of voting shares outstanding, and each class thereof if more than one class;*
(d) *The number of voting shares:*
(i) *Directly or indirectly owned by the Applicant and/or its subsidiaries, indicating the amount at which the shares are carried in the assets of each owner and the manner in which ownership was acquired;*
(ii) *Directly or indirectly controlled or held with power to vote by the Applicant and/or its subsidiaries, showing the manner of control or holding with power to vote. If this results solely from share ownership, so indicate in response to this item; and*
(iii) *Directly or indirectly controlled or held by trustees for the benefit of the Applicant (or its subsidiaries), their shareholders, or their employees (whether exclusively or not); and*
(e) *Control, in any manner, of the election of a majority of its directors, trustees, or persons exercising similar functions. If there is no control other than as shown in Item (d), it should be so stated.*

None

12. *Statement with respect to any other bank or any other nonbanking company of which Applicant, and/or its subsidiaries, jointly or severally, or jointly with Bank, own, control, or hold with power to vote more than 5 per cent of the outstanding voting shares, showing:*

(a) *Name and location of the bank or company;*
(1) The International Realty Company, 621 - 17th Street, Denver, Colorado 80202.
(b) *Brief description of its business activities;*
This company was organized on December 23, 1955,

for the purpose of holding title to real estate and leasehold interests used by First National in the conduct of its banking business.

(c) *Number of voting shares outstanding, and each class thereof if more than one class;*

Three million shares of $1 par value common voting stock issued and outstanding.

(d) *The number of voting shares:*

(i) *Directly or indirectly owned by the Applicant and/or its subsidiaries, indicating the amount at which the shares are carried in the assets of each owner and the manner in which ownership was acquired;*

First National owns all 3,000,000 shares which are carried on its books at $6,000,000, and were acquired for cash.

(ii) *Directly or indirectly controlled or held with power to vote by the Applicant and/or its subsidiaries, showing the manner of control or holding with power to vote. If this results solely from share ownership, so indicate in response to this item;*

Control results solely from share ownership.

(iii) *Directly or indirectly controlled or held by trustees for the benefit of the Applicant (or its subsidiaries), their shareholders, or their employees (whether exclusively or not).*

None

(a) *Name and location of the bank or company;*

(2) The International Company of Denver, 621 - 17th Street, Denver, Colorado 80202.

(b) *Brief description of its business activities;*

This company was organized on December 24, 1929, for the purpose of handling purchases and sales of bonds and securities for The International Trust Company which was merged into First National on October 8, 1958. The company is now inactive.

(c) *Number of voting shares outstanding, and each class thereof if more than one class;*

One hundred shares of no par common voting stock are issued and outstanding.

(d) *The number of voting shares:*

(i) *Directly or indirectly owned by the Applicant and/or its subsidiaries, indicating the amount at*

which the shares are carried in the assets of each owner and the manner in which ownership was acquired;

First National owns all one hundred shares which are carried on its books at no value.

(ii) *Directly or indirectly controlled or held with power to vote by the Applicant and/or its subsidiaries, showing the manner of control or holding with power to vote. If this results solely from share ownership, so indicate in response to this item;*

Not applicable, as company is inactive.

(iii) *Directly or indirectly controlled or held by trustees for the benefit of the Applicant (or its subsidiaries), their shareholders, or their employees (whether exclusively or not).*

None

13. *For each subsidiary bank acquired in the past 10 years, provide the following information as of the date of this application:*

(a) *The names of all banks at which the subsidiary maintains correspondent balances and the amount of the balance at each bank—.*

		Balance Maintained at:		
Subsidiary	First National Bank of Denver	First National Bank of Bear Valley	First National Bank of North Glenn	First National Bank of Southglenn
First Nat'l Bank of Denver	Assets over $100,000,000 and maintains no correspondent balances at other subsidiary banks.			
First Nat'l Bank of Bear Valley	$825,051.51	—0—	—0—	—0—
First Nat'l Bank of North Glenn	683,628.90	—0—	—0—	—0—
First Nat'l Bank of Southglenn	158,360.82	—0—	—0—	—0—

(Bear Valley, North Glenn, and Southglenn maintain no correspondent relationships other than with First National.)

(b) *The number and total amount of participation loans entered into by the subsidiary (during a 12-month period ended not more than 3 months prior to the date of submission of the application).*

(i) Participating Bank	(ii) Originating Bank	# of Loans	(iii) Total Amt. of Loans	(iv) Amt. of Participation
First National	Bear Valley	7	$256,174.00	$ 203,324.00
Southglenn	Bear Valley	2	111,115.05	30,115.05
First National	North Glenn	11	150,468.33	114,468.33
First National	Southglenn	3	91,400.00	34,500.00
Bear Valley	First National	*		*2,930,091.58
North Glenn	First National	*		*3,387,568.18
Southglenn	First National	*		*2,238,085.67

(Total assets of First National exceed $100,000,000 and thus only participations to other subsidiaries are shown. Bear Valley, North Glenn, and Southglenn sold participations to no banks other than those indicated above.)

*In the case of participations sold by First National to Bear Valley, North Glenn, and Southglenn, the figures represent the *average* amount of participations outstanding to each bank during 1968. These figures represent participations in 116 *lines* of credit (rather than individual loans) that have been approved by Bear Valley, North Glenn and Southglenn for purchase from First National, which are bought for earning power for as little as one day or as long as excess funds are available. Each of the three smaller banks may be participating in any or all 116 lines at a given time, and therefore to indicate the number of lines participated on a given day, or for a given period, would show volume figures not considered realistic.

EXHIBIT C-1

Balance Sheet of Applicant as of Year-End December 31, 1968, and First Quarter Ending March 31, 1969.

Debit and Credit Adjustments to Record Acquisition of Greeley.

Resulting Pro Forma Balance Sheet of Applicant after Acquisition of Greeley.

EXHIBIT C-1

Attached to and made a part of the application of The First National Bancorporation, Inc. for the voting shares of The First National Bank of Greeley.

THE FIRST NATIONAL BANCORPORATION, INC.

	(a) Bancorporation Balance Sheet		Entry to Record Acquisition of Greeley (Note 1)
ASSETS	December 31, 1968	March 31, 1969	
Cash	$ 44,723	$ 56,660	$
Investment in Stock of Subsidiary Banks at Net Asset Value:			
The First National Bank of Denver	41,290,114	41,910,094	
The First National Bank of Bear Valley	505,278	512,317	
The First National Bank of North Glenn	449,200	457,089	
The First National Bank of Southglenn	313,918	318,664	
The First National Bank of Greeley			4,1
Other Assets - Stock Issuance Expense, Organization Expense, etc. - Net	182,010	180,843	
Total	$42,785,243	$43,435,667	$4,
LIABILITIES			
Current Liabilities - Accrued Interest and Taxes	$ 2,150	$ 7,160	$
Notes Payable - Due October 31, 1971 (Interest Payable Quarterly at Prime Rate)	185,000	185,000	
Stockholders' Equity:			
Common Stock - $10 Par Value Authorized - 3,500,000 Shares Issued and Outstanding - 1,488,585 Shares Prior to Acquisition - 1,721,085 Shares After Acquisition	14,885,850	14,885,850	
Paid in Surplus	27,154,577	27,154,577	2,
Retained Earnings (See Exhibit C-2 Following)	557,666	1,203,080	2,
Total Stockholders' Equity	42,598,093	43,243,507	
Total	$42,785,243	$43,435,667	$4,

NOTES:

1. The entry to record acquisition of Greeley assumes that 100% of its outstanding shares posed exchange.
2. Anticipated expenses of the proposed exchange are not contained in the "Entry to Record Balance Sheet".

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EXHIBIT C-1

a part of the application of The First National Bancorporat
The First National Bank of Greeley.

THE FIRST NATIONAL BANCORPORATION, INC.

	(a) Bancorporation Balance Shee	
	December 31, 1968	March 31,
	$ 44,723	$ 56,6
f Subsidiary Banks		
al Bank of Denver	41,290,114	41,910,0
al Bank of Bear Valley	505,278	512,3
al Bank of North Glenn	449,200	457,0
al Bank of Southglenn	313,918	318,6
al Bank of Greeley		
Issuance Expense,		
e, etc. - Net	182,010	180,8
	$42,785,243	$43,435,6
- Accrued Interest and Taxes	$ 2,150	$ 7,1
October 31, 1971 (Interest		
t Prime Rate)	185,000	185,0
Par Value		
500,000 Shares		
tanding - 1,488,585 Shares		
isition - 1,721,085 Shares	14,885,850	14,885,8
tion		
	27,154,577	27,154,5
(See Exhibit C-2 Following)	557,666	1,203,0
' Equity	42,598,093	43,243,5
	$42,785,243	$43,435,6

ord acquisition of Greeley assumes that 100% of its outstand

nses of the proposed exchange are not contained in the "Entr

ion, Inc. for permission to acquire 80% or more of

t 1969	(b) Entry to Record Acquisition of Greeley (Notes 1 & 2)	(c) Pro Forma Balance Sheet Subsequent to Acquisition of Greeley
60	$	$ 56,660
94		41,910,094
17		512,317
89		457,089
64		318,664
	4,852,494	4,852,494
43		180,843
67	$4,852,494	$48,288,161
60	$	$ 7,160
00		185,000
50		
	2,325,000	17,210,850
77	2,527,494	29,682,071
80		1,203,080
07		48,096,001
67	$4,852,494	$48,288,161

ding shares will be acquired through the pro-

y to Record Acquisition" or the "Pro-Forma

EXHIBIT C-2

Analysis of Applicant's Retained Earnings and Paid-In Surplus Accounts January 1, 1969—March 31, 1969.

EXHIBIT C-2

Attached to and made a part of the application of The First National Bancorporation, Inc. for permission to acquire 80% or more of the voting shares of The First National Bank of Greeley.

"Retained Earnings" for the period January 1, 1969 to March 31, 1969 is reconciled as follows:

Balance—January 1, 1969	$ 557,666
Net Income—Including Equity in Undistributed Earnings of Subsidiaries of $632,657	1,171,630
Cash Dividends	(521,005)
Cost in Excess of Book Value of Subsidiary Bank Shares Purchased	(5,211)
Balance—March 31, 1969	$1,203,080

There was no change in the "Paid-In Surplus Account" between January 1, 1969 and March 31, 1969, such figure remaining constant at $27,154,577.

EXHIBIT C-3

Applicant's Annual Report to Shareholders—Year Ending December 31, 1968.

EXHIBIT D

FINANCIAL HISTORY AND CONDITION, MANAGEMENT, AND FUTURE PROSPECTS OF BANK

1. *Copy (front and back) of Bank's latest report of condition together with year-end reports of condition and reports of income and dividends for the past five years, filed with a Federal supervisory authority or other supervisory authority if Bank's deposits are not insured or were not insured for the full five-year period.*

See Exhibit D-1.

2. *Copy of the latest annual report of the Bank which was prepared for its shareholders.*

See Exhibit D-2.

3. *Statement with respect to each sale of capital stock by the Bank during the preceding 10 calendar years and the current year to date, showing date, sales price per share and in total, and the proceeds added to each of the capital accounts.*

None.

4. *Any plans involving capital improvement programs of Bank.*

As of March 31, 1969, Greeley was engaged in a major remodeling program. Additional space was constructed on the lower level of the present bank building to accommodate Accounting, Bookkeeping, Auditing, and Controller operations. A new entrance to the main banking floor was installed together with a redesigned tellers' line, Installment Loan Department, and Trust Department. In addition, the main floor is to be completely redecorated including new lighting and a new ceiling together with drapes for a major portion of the main floor. The total cost of this capital improvement program is estimated at $180,000.

5. *Balance sheet of each subsidiary of the Bank as of the date of the latest report of condition submitted in Item 1 above.*

None.

6. *List of each shareholder owning or controlling 5 per cent or more of Bank's stock, showing total number of shares*

owned or controlled, and portions thereof owned or controlled less than 12 months prior to date of application.

Shareholders	# of Shares of Greeley Owned	Acquisitions—1968 through March, 1969
Burch, Leonard N.	10,625	2,125 acquired April 1, 1968 as the result of a 25% stock dividend.
Davis, Robert S.	12,360	2,482 acquired April 1, 1968 as the result of a 25% stock dividend.
Monroe Corporation (Monroe Corporation is wholly owned by Mr. and Mrs. Robert Gilbert. Mr. Gilbert is the president of Greeley. In addition ot these shares, Mr. Gilbert owns 375 shares in his own name and 195 shares jointly with Mrs. Frances Gilbert.)	13,035	2,476 acquired April 1, 1968 as the result of a 25% stock dividend.
		65 acquired July 25, 1968
		150 acquired January 6, 1969
		438 acquired February 27, 1969.
Royer, Dean C.	8,856	1,778 acquired April 1, 1968 as the result of a 25% stock dividend.

7. Statement as to whether the Bank has transferred, by sale or otherwise, all or part of its bank premises to:

(a) A subsidiary, in which case show any profit recognized by the Bank, and the entries recorded on the Bank's books in connection with the transaction, and any adjustments affecting related parent or sub-

sidiary accounts subsequent to the date of the transaction;

None

(b) *An entity other than a subsidiary such as under a lease-back arrangement.*

None

8. *If the Bank is a proposed new bank, the following should be submitted in lieu of the information requested in Items 1 through 7 above;*

(a) *Statement as to its proposed capitalization;*

(b) *Estimates of major categories of assets, deposits, and capital accounts which are projected for the Bank for the end of each of its first three years of operations;*

(c) *Estimates of gross income and expenses, by major class in each case, and net earnings or loss for each of the first three years of the Bank's operations (should be submitted confidentially as provided for in paragraph 1 of page 5);*

(d) *Statement as to whether Bank will open if proposed acquisition is denied. If in the affirmative give details regarding proposed ownership; and*

(e) *Date of charter application and statement of its present status.*

Not applicable.

9. *List of directors, trustees, and principal officers of Bank, or persons exercising similar functions, providing information in connection with each as follows:*

(a) *Name and address (city and State only);*

(b) *Number of each class of shares of Bank and/or Applicant owned of record and segregated as to individual ownership and joint ownership with others.*

(c) *Title of position with Bank; and*

(d) *Principal occupation if other than the Bank.*

Name	Title with Greeley	Number of Shares of Greeley
Leonard N. Burch Principal Occupation: Banking & Investments Greeley, Colorado	Director	10,625

Name	Title with Greeley	Number of Shares of Greeley
Robert S. Davis Principal Occupation: Owner, Davis Agency & Livestock Greeley, Colorado	Director	12,360
Martin R. Domke Principal Occupation: Cattle Feeder Greeley, Colorado	Director	1,000
Rex C. Eaton, Jr. Principal Occupation: Banker Greeley, Colorado	Director Executive Vice President	250 3,000 Jointly Held
William S. Garnsey Principal Occupation: President, Garnsey & Wheeler Co. Greeley, Colorado	Director	7,210
Robert M. Gilbert Principal Occupation: Banker Greeley, Colorado (Monroe Corporation, wholly owned by Mr. and Mrs. Robert M. Gilbert, owns 13,035 shares of Greeley. See Exhibit D-6, herein before recited—Page D-2.)	Director President	375 195 Jointly Held
John L. Haley Principal Occupation: Engineering Consultant; Nelson, Haley, Patterson & Quick, Inc. Greeley, Colorado	Director	400
John W. Henderson Principal Occupation: Attorney-at-Law Greeley, Colorado	Director	2,000

Darrell Holmes, Ph.D. Principal Occupation: President, Colorado State College Greeley, Colorado	Director	150 312 Jointly Held
Harold S. Jones Principal Occupation: Owner, The Jones Company Greeley, Colorado	Director	5,250
Carl J. Magnuson Principal Occupation: Former Colorado State Senator Farmer and Cattle Feeder Eaton, Colorado	Director	2,000
Joseph F. Phelps Principal Occupation: President, Hensel Phelps Construction Co. Greeley, Colorado	Director	5,250
Dean C. Royer Principal Occupation: President, D. C. Royer Agency Greeley, Colorado	Director	8,856
Ernest B. Scott Principal Occupation: President, Scott Realty Company Greeley, Colorado	Director	1,187
William H. Southard Principal Occupation: Attorney-at-Law Trustee, Colorado State College Greeley, Colorado	Director	2,506

Phillip D. Weaver, M. D. Principal Occupation: Radiologist Greeley, Colorado	Director	150 564 Jointly Held
Curtis S. Slife Principal Occupation: Banker Greeley, Colorado	Senior Vice President	12
Louis C. Rieker Principal Occupation: Banker Greeley, Colorado	Vice President and Trust Officer	150
Alejandro M. Gillespie Principal Occupation: Banker Greeley, Colorado	Vice President and Controller	450
Richard J. Read Principal Occupation: Banker Greeley, Colorado	Cashier	-0-

As of March 21, 1969, none of the above listed officers or directors owned any shares of Applicant's stock, either jointly or severally.

10. *Personnel changes contemplated by Applicant with respect to directors and/or principal officers of Bank, furnishing with respect to each proposed new director and principal officer the same information as requested in Item 9 above.*

No changes are contemplated by Applicant with respect to Directors or Principal Officers of Greeley other than the addition of Mr. Bruce D. Alexander, Executive Vice President of Applicant and Senior Vice President of First National, as an additional Director to the Board of Directors of Greeley. As of March 21, 1969, Mr. Alexander owned no shares of Greeley. Mr. Alexander owned in his own name 3,860 shares of Applicant.

11. *Statement with respect to any other bank or any nonbanking company of which the Bank owns, controls, or holds*

with power to vote more than 5 per cent of the outstanding voting shares, showing:

(a) *Name and location of the bank or company;*

(b) *Brief description of its business activities;*

(c) *Number of voting shares outstanding, and each class thereof if more than one class; and*

(d) *Number of voting shares:*

(i) *Directly or indirectly owned by the Bank, indicating the amount at which the shares are carried in the assets of the owner and the manner in which ownership was acquired;*

(ii) *Directly or indirectly controlled or held with power to vote by the Bank, showing the manner of control or holding with power to vote. If this results solely from share ownership, so indicate in response to this item; and*

(iii) *Directly or indirectly controlled or held by trustees for the benefit of the Bank, its shareholders, or its employees (whether exclusively or not).*

None

EXHIBIT D-1

Copy of Greeley's Report of Condition Dated April 30, 1969 as Filed with Federal Supervisory Authorities.

Copy of Greeley's Reports of Condition, and Income and Dividend Reports Filed with Federal Supervisory Authorities for Years Ending December 31, 1964 through December 31, 1968.

EXHIBIT D-2

Greeley's Annual Report to Shareholders—Year Ending December 31, 1968.

EXHIBIT E

DESCRIPTION OF BANK'S OPERATIONS

1. *As of the date of the latest available midyear or year-end condition report, the number and amount of IPC deposits segregated by demand, savings, and time (each by size of account), similar to that furnished the FDIC for use in its latest Summary of Deposits. If available, the information for IPC demand deposits should be provided separately for business and household accounts. Separate data should be supplied for:*

(a) *Each office of Bank and the total for Bank;*

See Exhibit E-1 attached. (In opinion of Greeley's management no significant change has occurred in composition of deposits since June 30, 1968.)

(b) *Each banking office of the Applicant's subsidiary banks (include Applicant if it is a bank) that is regarded as competing with Bank (as listed in Exhibit G-4) and the total for all such offices;*

Applicant has no subsidiaries regarded as competing with Greeley.

(c) *The total for all banks listed in (b) above.*

See answer above.

2. *As of the date of the latest midyear or year-end condition report available, the amount of Bank's:*

(a) *Installment loans to individuals for household, family, or other personal purposes, indicating the approximate amount originated by Bank and the amount purchased from others, segregated as to the amount purchased from vendors located within and without Bank's service area;*

Amount originated by Bank =	$385,264.87
Amount purchased from others:	
Within Bank's service area =	32,034.56
Outside Bank's service area =	1,490.79
Total	$418,790.22

(b) *Residential mortgage loans, indicating the approximate amount originated by the Bank and the*

amount purchased from others, segregated as to sellers located within and without Bank's service area;

Originated by the Bank = $1,636,363.68

No residential mortgage loans purchased from others.

(c) *Total investment in obligations of States and political subdivisions, showing investment in securities issued by the State in which the Bank is located, and the investment in securities issued by local governments in that State, identifying separately, amounts invested in issues of local governments within Bank's service area.*

Securities issued by the State =	None
Securities issued by local governments in that State:	
Within Greeley's service area =	$ 531,240.47
Not within Greeley's service area =	4,688,102.84
Other states and political subdivisions =	1,857,262.38
Total	$7,076,605.69

3. *If Bank has a trust department, indicate as of the latest date for which such information is available:*

(a) *The number of accounts of each major type of fiduciary and/or agency appointment and the total amount of assets held, showing the basis for assigning book carrying values;*

As of December 31, 1968, Greeley's trust department had total assets of $7,512,595.14 in 211 various trust accounts, more particularly described as follows:

Decedents Estate	10	Farm Management (Agencies)	13
Conservator & Guardianship	59	Agency & Escrow	37
Testamentary Trust	22	Corporate Accounts	6
Living Trust	37	Wills & Non-Funded Trusts	22
Profit Sharing Plan	5		

Total—211

Land and improvements, insurance policies, and Wills carried at a Unit Value of $1.00. All other assets carried at cost.

(b) *The extent to which Bank's trust business originates in its service area, in the service areas of subsidiary banks of the Applicant, and of Applicant if it is a bank;*

All of Greeley's trust business originates within its Primary Service Area with the exception of one account which was originated in 1962 under a Farm Management Agency Agreement involving property located in and near Severance, Colorado, a small community approximately 12 miles northwest of Greeley in Weld County, Colorado. The Agency was subsequently changed to inter vivos trust and other assets, located in Golden, Colorado, were added. Golden, Colorado is considered to be within the Primary Service Area of First National. The grantor was a resident of Golden at the time of the original agreement, but was a long-time resident of Weld County and an old and valued customer of Greeley, with active checking and savings accounts at the time of the original agreement.

(c) *The extent to which each of Applicant's subsidiaries, or Applicant if it is a bank, derives trust business from the service area of Bank.*

First National, the only subsidiary of Applicant with a Trust Department, has the following accounts located within the Primary Service Area of Greeley:

5 fiduciary accounts (beneficiaries reside in the city of Greeley)	$ 530,000.00
2 fiduciary accounts (settlors reside in the city of Greeley)	292,813.00
1 escrow account for "Northern Weld County Water District," this account funded with U. S. Government Securities—value	3,464,000.00
TOTAL—8 accounts with total carrying value of	$4,286,813.00

The above accounts, in the aggregate, constitute less than ⅓ of 1% of the total value of trust accounts of First National.

In addition to the fiduciary and escrow accounts listed above, First National, as Trustee, operates a 153 acre irrigated farm located within Greeley's Primary Service Area. This property was owned by a long-time customer of First National who was residing in Denver at the time of his death. This property is carried on the books of First National's Trust Department at $1.00.

EXHIBIT E-1

Copy of Greeley's Analysis of Demand, Savings, and Time Accounts as Filed with the Federal Deposit Insurance Corporation as of June 30, 1968.

EXHIBIT F

DESCRIPTION OF BANK'S SERVICES RELATIVE TO THE CONVENIENCE AND NEEDS OF THE AREA IT SERVES.

Applicant believes that a brief history of Weld County and the City of Greeley will help to put the answers to the questions called for by this Exhibit F which deal with the convenience and needs of the area served by Greeley in perspective. Much of the following is taken from a publication by the Greeley-Weld County Industrial and Business Development Foundation, Inc., operating to a degree with the Greeley Chamber of Commerce.

Greeley—Weld County—Historical Data

GENERAL

Greeley's economic climate and general business attitude is excellent. There is a proper cognizance of importance of business climate in the community. Community's industries are increasing in size and number and are generally considered forward-thinking and aggressive. In the last five years, 62 new industrial, professional and retail organizations have moved into the Greeley area—this figure is *net* of losses.

The State of Colorado has recognized the value of new industry:

1. Colorado has eliminated its ad valorem tax.
2. The state has lowered assessment rate on "freeport merchandise."
3. Colorado has avoided increases in its state income tax.

Greeley and Weld County officials have voiced strong objections to so-called "business incentives" in the form of lower taxes, etc. to attract new industry at the expense of already established concerns. Thus, a more stable approach to taxation has been maintained.

Several steps have been taken by members of the Greeley community to attract new industry:

1. Local employers are taking aggressive steps in the area of employee relations.
2. Only a small percentage of workers are unionized; however, there is good rapport between union and non-union personnel.
3. Merchants in several areas have gone together to

improve the appearance of business houses and general areas.

4. Business and other persons have actively taken part in discussions concerning issues which have an effect on business.
5. Newspapers and radio stations have taken a very active part in educating the population as to the needs for diversification of business and industry, and they have likewise paid a great deal of attention to new business and industrial arrivals.

As recently as September 9, 1969, in an article in *The Denver Post*, it was announced that "six Northern Colorado Communities have banded together to meet the challenge of an expected industrial and population explosion. Their new organization, called the Northern Colorado Area Development Association, includes Fort Collins, Greeley, Loveland, Estes Park, Berthoud and Windsor."

Introduction to Greeley and Weld County

Weld County

Named for the territory's first secretary, Lewis Ledyard Weld, Weld County is one of the original 17 counties established by the first legislature of the territory of Colorado on November 1, 1861.

First recorded town plat was Evans, filed with the county on November 22, 1869. Greeley was founded in 1870, recorded June 29, 1871 and incorporated April 6, 1886.

Greeley

Through an organization called the Union Colony, Nathan Meeker bought land in the Valley of the Cache La Poudre River, midway between Denver and Cheyenne from the Denver Pacific Railroad. There he selected a townsite, one mile square, and built a planned farming community. It was named Greeley after Horace Greeley, the famous editor.

Greeley and Weld County Statistics

Greeley is located 40 miles east of the front range of the Rocky Mountains, 41 miles south of the Colorado-Wyoming border and 140 miles west of the Nebraska-Colorado border. The city is 52 miles north of Denver, covering an area of

7.8 square miles and is directly west of the confluence of the Cache la Poudre River with the South Platte River.

Greeley has a council-manager form of government with six elected councilmen and a mayor. The manager is appointed by council.

Weld County is aligned with agriculture, ranking *ninth* * in total crop and livestock production in the Nation. It has an area of 4,004 square miles.

Irrigation has played an important role in the history of both Greeley and Weld County. Ditches carrying snow runoff water into the county are some of the earliest in the state. These ditches are now supplemented with water from the Big Thompson diversion project which brings water through tunnels from Colorado's Western Slope to be fed into the distribution systems along the Eastern Slope.

Also within the county are found deposits of coal, oil, gas, gravel, and other minerals and rare earths.

Population Data

Persons 25 years old and over have completed 12.1 median school years to give Colorado the second highest national average educational level.

Population Facts *	1960 Population
Urban Greeley	26,314
Rural	38,537
Other Urban	7,493
Ault Area	4,074
Eaton Area	5,098
Evans Area	6,553
Fort Lupton	5,222
Gill Area	2,071
Johnston-Milliken Area	4,685
Kersey Area	1,607
LaSalle-Gilcrest Area	3,585
Platteville Area	1,785
Windsor Area	2,788
Keensburg-Hudson Area	3,067

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* *Rocky Mountain News*, September 5, 1969, updates this figure to seventh.

* See chart on the City of Greeley only, page 23.

(As a matter of interest over 60 per cent of Colorado's population lie along the eastern slope of the Rocky Mountains between Fort Collins on the north and Pueblo on the south.)

Living Conditions

Separated from the Pacific Ocean by distance and a high mountain barrier, and located a long distance from any other major source of moisture, the climate in Greeley is characterized by low humidity, low average precipitation and abundant sunshine. The average annual rainfall is 11.12 inches with an annual mean temperature of 48.9 degrees. The prevailing air movement is from the west, with most of the moisture lost in passage over the mountains. Invasions of cold air from the north in winter are also relatively dry so that winter precipitation averages are low.

Although the average annual rainfall of less than 12 inches places the area in the semi-arid classification, heavier precipitation and winter snow accumulation in the mountains to the west provide an abundant supply of water for domestic, industrial and irrigation use. The dry and generally mild climate with warm summers and mild winters, together with an abundant supply of water, provide unusually favorable conditions for industrial development.

Building Permits

Greeley

Year	No.	Value
1967	285	$2,920,722
1966	247	2,626,705
1965	165	1,802,511
1964	300	3,624,236
1963	356	4,213,209
1962	296	3,349,594
1961	481	3,882,600
1960	400	3,548,000

Greeley Construction in Past Five Years

Homes	*1963*	*1964*	*1965*	*1966*	*1967*
No. of Units	291	191	90	118	114
Value Millions	3.6	2.6	1.2	1.7	2.1
Multi-Units & Apartments					
No. of Units	26	31	14	129	141
Value Millions	.60	1.0	.6	1.7	1.0

Greeley Construction in Past Five Years

Commercial & Industrial					
No. of Units	47	30	17	16	33
* Value Millions	1.5	.9	.4	2.1	1.1

Average Sales Price New Construction	*In Greeley*	*Outside Greeley*
2-Bedroom frame	$14,800	$12,000-15,500
2-Bedroom brick veneer	15,800	13,500-16,000
3-Bedroom frame	16,250	13,500-18,000
3-Bedroom brick veneer	17,250	14,000-18,500
Custom-built	20,000-45,000	20,000-45,000

Greeley housing is generally attractive and well maintained, though the area north of Sixth Street and east of the railroad tracks is of lower quality. There are some larger tract areas east of the tracks that are very desirable. Executive and management personnel would be attracted to Cascade Park, Highland Hills, Glenmere, Belair Park, Cottonwood, and Rolling Hills subdivisions.

Churches

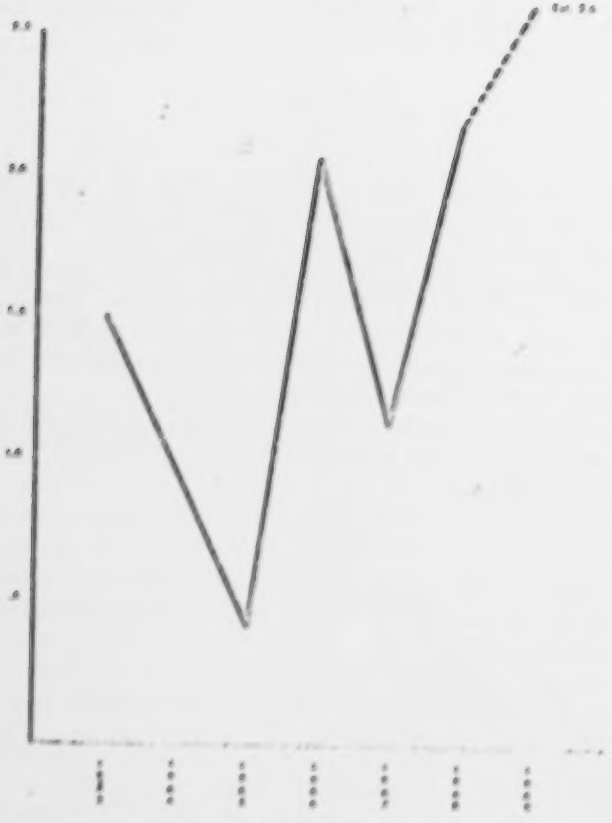
There are 108 churches in Weld County, 59 of which are in Greeley. Thirty-three denominations are represented.

Cultural Assets

Community Center for the Creative Arts
Weld County Art Association
Junior Philharmonic Association
Choral Arts Society
Greeley Recreation Bands
Little Theatre of the Rockies
CSC music and drama presentations weekly
School band and orchestra concerts and dramatic presentations
Associated Students annual lecture series
July 4th Rodeo in Greeley
Annual rodeos in other communities
Various private art galleries
Meeker Museum
Greeley Municipal Museum, etc.

* See following chart for 1968 and estimated 1969.

Commercial & Industrial Construction
Greeley



Libraries

Weld County residents have access to both the Weld County Library and the Greeley Library, both located in Greeley. Both are members of the High Plains Library System.

In addition to the 100,700 volumes in the Weld County Library, and the 68,496 volumes of the Greeley Public Library, an unlimited number of books are available upon short notice through the High Plains system.

Education

Public Schools

A total of 20,000 students are enrolled in school districts which have headquarters within the county. About half of the students are in Greeley schools.

Nearly 900 teachers are employed in the 12 school districts. Greeley alone has 440 certified teachers. Beginning salaries range from $4,900 to $6,000. Greeley teachers were placed on a starting salary base of $5,700 in January, 1969, increasing to $6,000 on September 1, 1969.

The district operates several federally-sponsored programs including a full year Head Start, a special Title I, ESEA program.

Aims College

Founded in 1967, Aims opened its doors on September 27, 1967. It is designed to fill a gap in vocational opportunity within the county.

Vocational courses in the curriculum for the Fall, 1968, quarter included Office Occupations (stenographic, secretarial and related programs); Office Occupations (junior administration); Office Occupations (general office clerical program); Office Occupations (office production); Mid-Management (distributive education); Aviation Technology (commercial pilot); Automotive Mechanics; Drafting-Technical Illustration; Electronics Technology; Engineering Technology; Welding, and Police and Fire Department training.

Colorado State College

Colorado State College, founded in 1890 as The Normal

School, is one of the Nation's leading institutions in teacher training. It also offers degrees in a variety of fields outside the field of education. Its graduate degree holders can be found in management and administrative positions with public schools, colleges, universities and governmental agencies across the Nation.

Enrollment has progressed rapidly during the past few years with 8,300 students in 1967-68 and 14,000 expected with the next decade. The college employs nearly 1,000 persons on a full time basis.

Recreation

Greeley has a comprehensive recreational program directed by a full-time director and supervised by three assistants. Recreation to be found in the Greeley area include public parks, golf courses, tennis courts and swimming pools, plus many other facilities for recreation and entertainment.

City and County Services

City Government

Greeley has a home rule form of government which consists of elected council members and a manager functioning under a city charter as well as under Colorado statutes. Greeley's mayor, elected by popular vote is a non-partisan campaign, presides as titular head of the council and represents the city in all official capacities.

Greeley Police Department

Greeley Police Department consists of 37 full-time officers, 10 civilian women employees and 18 volunteer community service officers.

The city's 1967 FBI total crime index was 490, a low index compared with cities of comparable size.

Fire Protection

Greeley has 31 paid firemen and no volunteers. The department has 10 major pieces of equipment including five pumper trucks.

Streets and Highways

Greeley is noted for its 100 foot wide streets and their scenic tree-like beauty. Approximately 86 per cent of a total of 118.92 miles of streets are paved.

U. S. Highways 85 and 34 serve the city, and the community is situated 15 miles each of Interstate 25.

Health, Medical and Hospitals

Weld County has two hospitals, both located in Greeley. Weld County General has a capacity of 350 beds; Memorial Hospital has 35 with plans for future expansion. Weld County General has a staff of 72 physicians and surgeons, 65 per cent of whom are specialists.

Business Factors

Retail Sales

Retail sales totaled $174,875,000 in Weld County in 1967 with about 70 per cent of this figure in Greeley alone. Retail sales in Greeley proper increased 6.8 per cent during the first six months of 1968 over the same period in 1967. Approximately 19 square blocks of retail business are situated in downtown Greeley, plus several shopping centers in the southern and western parts of the city. Approximately 227 business locations are situated in the downtown core area of the city with most air-conditioned and virtually all well maintained. Greeley has a total of 379 retail outlets employing 2,261 persons with a total annual payroll estimated at $9,000,000.

Wholesale Sales

Such sales totaled $45,630,000 in 1967. Greeley has 65 wholesale outlets employing 465 persons with a total annual payroll estimated at $2,500,000.

Banking Business Indicators

Historical

The First National Bank of Greeley was incorporated on May 6, 1884, and is the oldest bank in Weld County. With one exception, all other banks within Weld County have been established since the turn of the century.

As a matter of interest, and to demonstrate the growth of Weld County banking and the increasing pressure on the loan-deposit relationships, the following figures are presented: (*)

Year	# of Banks	Population	Total Deposits in County	Total Loans in County	# of Deposits Loaned
1930	20	65,097	$ 9,937,000	$ 4,844,000	49
1940	10	63,747	9,800,000	3,434,000	35
1950	11	67,504	43,650,000	16,851,000	39
1960	11	72,344	66,525,000	40,180,000	60
1968	15	81,500 (est)	144,319,000	100,465,000	70

It is also interesting to note that of the present 15 banks presently operating within Weld County, only eight were in existence in 1930.

Weld County experienced significant growth during the early decades of its eixstence because of its wealth relating to agricultural production. In the early 1930's, agriculture suffered near disaster, a fact reflected not only by a decrease in population, but the failure or liquidation of 12 of its 20 banks. Two new banks began operating in the 1930's —The Greeley National Bank (largest within the city of Greeley) chartered in 1934; and The Eaton Bank, Eaton, Colorado, chartered in 1937. In 1946, The Citizens State Bank of Keenesburg, Colorado, was chartered and no new bank charters were granted until 1962. Based upon estimated county population of 81,500 persons at year-end 1968, the 15 banking offices serve an average of 5,433 persons each within the county.

Current (*)

Bank Debits as of years as shown: (Greeley Clearing House)

1964	$1,044,844,514
1965	1,125,875,942
1966	1,265,027,018
1967	1,355,637,372
1968	1,524,684,669
1969	898,807,294 (6 months only)

* County figures extracted from *Polk's World Bank Directory.*

* Year-end deposit and loan figures for Greeley banks extracted from published figures in the *Greeley Tribune* as of call.

Total Deposits in the City of Greeley ONLY for year-end as shown:

1950	$ 30,275,819
1960	51,290,286
1964	76,018,100
1965	83,964,519
1966	91,163,159
1967	98,864,660
1968	111,402,896

Total Loans in the City of Greeley ONLY for year-end as shown:

1950	$ 16,229,094
1960	32,993,250
1964	54,119,946
1965	62,162,035
1966	67,428,681
1967	72,421,566
1968	76,443,113

As can be seen from the above figures as of year-end 1968, the banks within the City of Greeley held 77 per cent of the deposits and 76 per cent of the loans located within Wled County.

Utilities

Electricity

Electricity is supplied to Greeley and surrounding areas by Home Light and Power Company—an independent investor-owned company serving an area covering 600 square miles (all within Weld County) and some 20,000 customers. Construction has begun on a nuclear power plant at Platteville, some five miles from the company's present system. Plant being built by Public Service Company of Colorado, from whom Home Light purchases its electricity. Future availability is extensive.

Natural Gas

Natural gas is supplied by the Greeley Gas Company—investor-owned, and purchasing its gas from Western Slope Gas Company, with Western's largest supplier being Colorado Interstate Corporation.

Telephone Service

Telephone service is supplied by Mountain States Telephone Company. Total telephones in the Greeley area, including approximately 16 mile radius for toll free charges, were: 1968 (estimate)—32,629; 1967—31,879; 1966—30,521; 1965—29,899; and 1964—27,946.

Transportation

Greeley and Weld County are supplied by four railroads and four motor freight carriers. Greeley itself is served by one bus line with six northbound and seven southbound busses daily.

There are twelve storage plants for agricultural products within the City of Greeley itself. In addition, the following storage and warehousing facilities are available:

1. 10,000 square feet of storage, 3-car capacity rail siding, dock space for loading and unloading semis, etc. Allied Van Line affiliate.
2. 50,000 square feet of storage, 3-car capacity rail siding, dock space for loading and unloading semis, etc. Representative of Mayflower.
3. 6,000 square feet of storage, no rail siding, dock space for loading and unloading semis, etc. Affiliated with North American Van Lines.
4. Refrigeration only, storage space for 150 rail cars, rail siding, dock space and 750 individual storage lockers for frozen foods.

In addition, City of Greeley, in cooperation with Weld County, operates a public airport located three miles from the center of the city. Includes a 5,080 foot runway, paved taxi strip, dusk to dawn lighting, fueling station, air terminal, hangar space for private planes, weather services including direct FAA line, major engine and aircraft repair service, flight training, and air taxi and charter service. Joint plans with FAA are underway including construction of control tower to be built and manned by FAA personnel. In addition, two crop dusting companies are located at the airport. Denver's Stapleton International Airport is located approximately 50 miles distant served by several airlines and operating over 150 flights per day to major cities. In addition, Stapleton handles several flights per day to foreign countries without equipment change.

Communications

Newspapers

Weld County has twelve newspapers with three of these in Greeley; one daily and two weekly. Colorado State College also publishes a weekly paper.

Radio

Two AM radio stations and two FM stations are located within Greeley. Denver also has A Mand FM stations which are, for the most part, available to Greeley's radio audience.

Television

Four Denver commercial stations and one educational TV station are received in Greeley, plus one commercial station located in Cheyenne, Wyoming, some 50 miles distant. Presently, Greeley Video, a cable organization, is entering the Greeley area which will make TV availability very extensive; including three educational channels, plus a news channel, weather channel, music channel, and one for Wall Street market reports. Uderground cable has been installed throughout Greeley and will operate on a modest monthly charge with no contract required and termination of usage proper at any time.

Industrial Data

Greeley was the first city in the Rocky Mountain Area to purchase and develop an industrial park, first to organize an industrial foundation for financing construction on a non-profit basis, and first to construct a building and lease it to a maufacturer. Site information, economic data, population data and information concerning government, services, transportation, utilities, etc. is available from the Industrial and Business Foundation. Three other areas are being developed in the Greeley area for scientific industry. One to 1,000 acre sites are available through the foundation.

Employment and Labor Data

(See chart of employment classification, page 17 following.)

As of late 1968, less than two per cent of the area popu-

lation was unemployed, and information from the Greeley Office of Department of State Employment has indicated that there is easy availability of persons required for new organizations moving into the area. An estimated two per cent per annum decline in numbers of workers remaining in farm employment and moving to town means approximately 50 to 150 persons per annum available for other employment.

In recent years, new industries have had no difficulty in filling new jobs. Agriculture is becoming more mechanized, thus more people are moving from the farm to the city (see above). Local schools and colleges are providing more and better trained persons, many of whom *prefer* to remain in Greeley if employment is available.

Agriculture and Livestock

Agriculture

Approximately 400,000 acres of Weld County's 2,600,000 acres are irrigated. Principal crops grown in Weld County are:

Sugar beets	79,250 acres
Potatoes	12,000 acres
Alfalfa	110,000 acres
Beans	48,000 acres
Corn	95,100 acres
Wheat	200,000 acres
Barley	76,000 acres
Oats	22,000 acres

Weld County ranks first in the United States in total acres of sugar beets and production of sugar, and *ninth* (*) in total value of agricultural products sold.

Livestock

Approximately 20,000 head of dairy cattle are located in Weld County. 175,000 or more head of cattle are on feed continually producing approximately 500,000 head of feedlot cattle sold each year. 30,000 to 35,000 head of breeding cattle are located within the county and between 200,000

* *Rocky Mountain News*, September 5, 1969, updates this figure to *seventh*.

and 250,000 head of lambs are fed each year, in addition to 6,000 head of hogs. Monfort Packing Company—capacity of more than 500,000 lambs and nearly 250,000 head of cattle per year.

Industrial and Commercial Growth

From all of the historical data it can be seen that Weld County and Greeley have enjoyed an extremely strong and sound growth and the future prospects look even brighter. A spectacular new development is the newly planned Kodak Company plant at Windsor, Colorado, 13.5 miles northwest of the City of Greeley, which according to *Harman, O'Donnell and Henninger Associates, Inc.*, will be employing about 1,000 people in 1971, and a construction force of between 500—750 persons will be needed in the initial years of construction (1970—1975) and after that, a permanent force of construction workers, with peaks reaching as high as 400—500 workers, will continue building plant facilities through 1990. Applicant believes the above estimated employment figures to be conservative. Applicant believes that the experience at the I.B.M. facility at Boulder, Colorado, is likely to be repeated by Kodak at Windsor. On March 3, 1965, I.B.M. officials announced that its new plant and development laboratory at Boulder would employ 1,000 persons, but by October, 1965, the employment figure was double the 1,000 originally announced, and according to an I.B.M. official at Boulder the present employment stands at 4,300 persons. The report estimates that approximately 27% of the Kodak employees in the plant will reside at Greeley. Presently, according to the same report, 28.7% of the residents of Windsor do their shopping in the City of Greeley when purchasing selected retail goods and services. Therefore, if this trend continues as the Kodak installation develops, the City of Greeley and the financial institutions located there will be called upon to satisfy a substantial demand from Windsor residents for individual banking services of all kinds.

North central Colorado, beginning with the installation of the plant by I.B.M. at Niwot, Colorado, has seen other facilities installed or about to be installed by national concerns such as Western Electric, Hewlett-Packard, and State Farm Insurance Company. Applicant sees no reason why this trend should not continue in North central Colorado,

thus insuring a growing rate of industrial and commercial expansion for the entire area.

In addition, a report to the Greeley Area Industrial & Business Development Foundation dated December 12, 1968, states as follows: "It doesn't seem possible, that already our prospects cover a broad scope of the industrial spectrum and a wide far-flung geographic area." This Foundation is presently working with 50 *active* prospects located in 21 states. The seven general areas for industrial development which the Foundation is stressing are as follows:

1. Research and development of new methods for growing, packing and freezing food products on year round basis, plus distribution and market studies.
2. Electronics oriented manufacturing facilities.
3. Paper box, carton and package manufacturing.
4. Manufacture and distribution of agriculturally oriented equipment based upon scientific farming and cattle raising.
5. Recreation oriented equipment manufacturing and distribution.
6. Space age facility support and research and development leading to manufacturing.
7. Oil production equipment, supply and distribution. Also marketing research for and management contacts with the oil industry.

Applicant believes that the tremendous work of the Foundation alone and its optimism about its success insures a spectacular industrial growth in the Greeley and Weld County area.

Agricultural Future Demand for Farm Credit

According to *Andrew F. Brimmer,* a member of the Board of Governors of the Federal Reserve System, in an address on December 28, 1967, entitled "Central Banking and the Availability of Agricultural Credit", stated, "This is one of the horns of the farm dilemma faced by the banking system: *farm credit demands in the aggregate are growing faster than total banking resources.*" Governor Brimmer went on to state, "The foregoing discussion has concentrated on the large and *pervasive* expansion in farm credit use during the recent past. But what of the

future? *All* who have studied this subject agree that future credit demands will *continue to expand rapidly.*" Governor Brimmer, quoting John Brake as having projected outstanding farm debt of *$100 billion* in 1980, stated that this was "a rather startling round number, but one that would be surpassed at the current rate of increase . . . Use of credit in farming (in 1980) would then be approaching levels currently found in non-farm enterprises; debt-asset ratios average around 40 per cent in manufacturing enterprises and near 50 per cent in non-financial corporate business." (All emphasis supplied.)

Applicant feels certain that the community in *all* its economic aspects can look forward to a substantial growth —and in the immediate future. As a result Applicant believes that approval of this application will *substantially* benefit the needs and convenience of the community, make it more possible, together with all other competing banks, to meet the demand for services and credit that now exists and will in the future exist, and provide it with sound and strong banking alternatives.

The following are set forth as statistical evidence of the impressive growth patterns in the area:

1. Weld County—Employment Classification
2. Loans—Greeley Banks, 1944-1968
3. Greeley Bank Deposits Per Cent Held, 1944-1968
4. Total Loans and Deposits, All Greeley Banks, 1944-1968
5. Loans—Greeley Banks, 1944-1968
6. Deposits—Greeley Banks, 1944-1968
7. Population Trends, City of Greeley

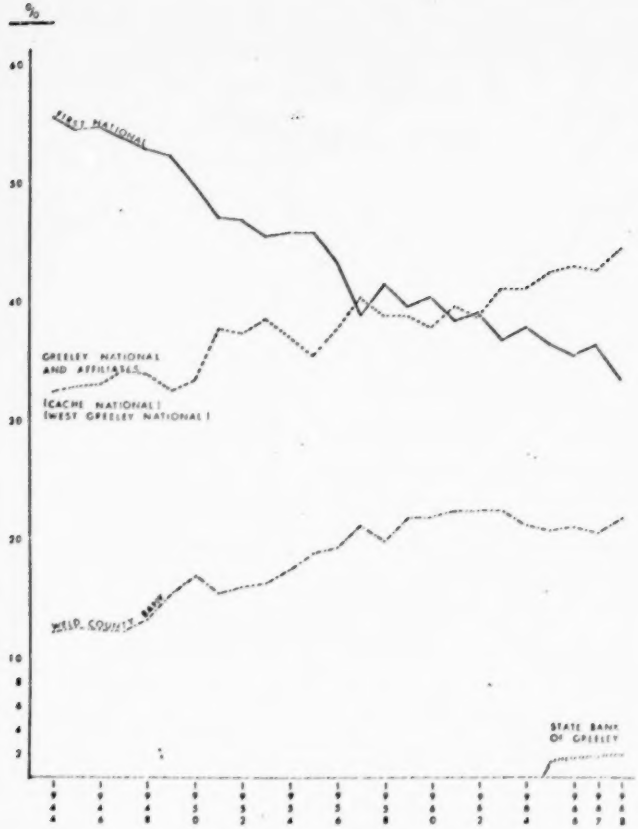
WELD COUNTY
EMPLOYMENT CLASSIFICATION (*)

Industry	1950	1960
Agriculture Service, Forestry, Fisheries	8,620	6,445
Mining	249	165
Contract Construction	1,451	1,935
Manufacturing	1,300	2,511
Transportation and Other Public Utilities	1,159	1,596
Wholesale Trade	780	824
Retail Trade	3,145	3,578
Finance, Insurance and Real Estate	456	931
Services	4,439	6,496
Unclassified Establishments	333	448
TOTAL	21,932	24,929

* Bureau of Census.

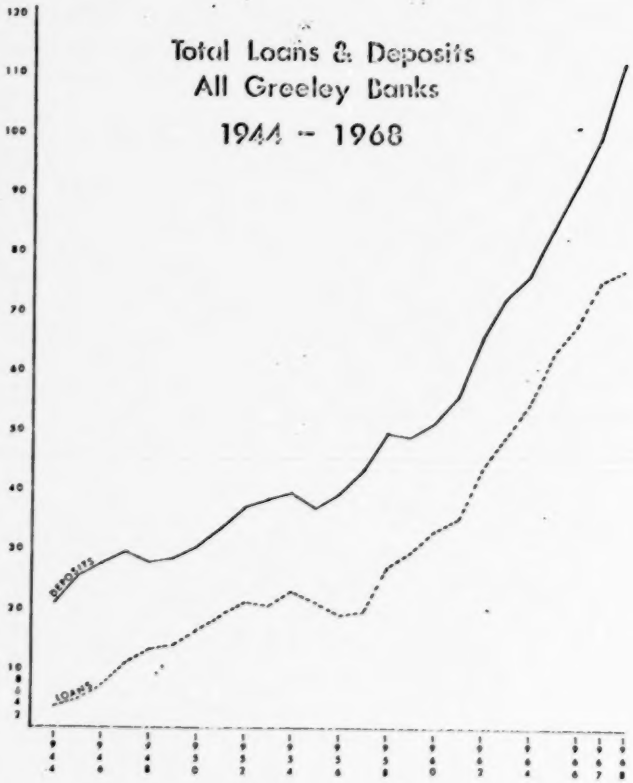
Millions
Loans -- Greeley Banks
1944 -- 1968
(2)
(a) West Greeley National
Cache National Bank
FIRST NATIONAL
GREELEY NATIONAL & AFFILIATES (a)
WELD COUNTY BANK
STATE BANK OF
GREELEY

Greeley Bank Deposits Per Cent Held, 1944–1968



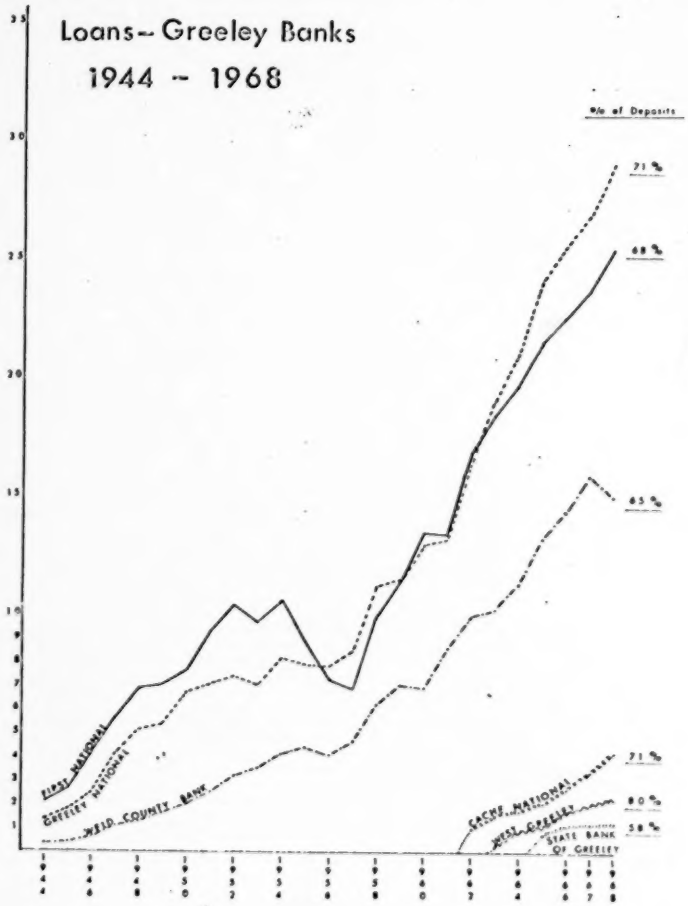
(3)

Millions

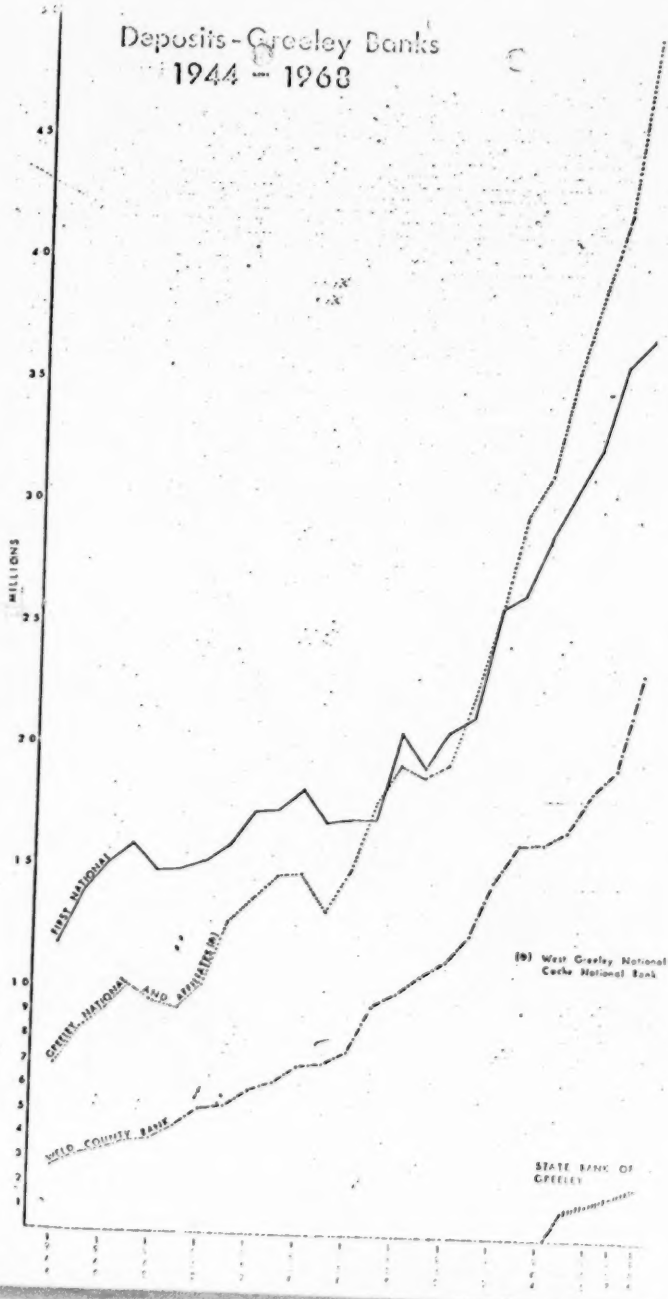

Total Loans & Deposits
All Greeley Banks
1944 - 1968
DEPOSITS
LOANS

(4)

Millions


Loans-- Greeley Banks
1944 - 1968
% of Deposits
71 %
68 %
65 %
71 %
80 %
58 %
FIRST NATIONAL
GREELEY NATIONAL
WELD COUNTY BANK
CACHE NATIONAL
WEST GREELEY
STATE BANK OF GREELEY

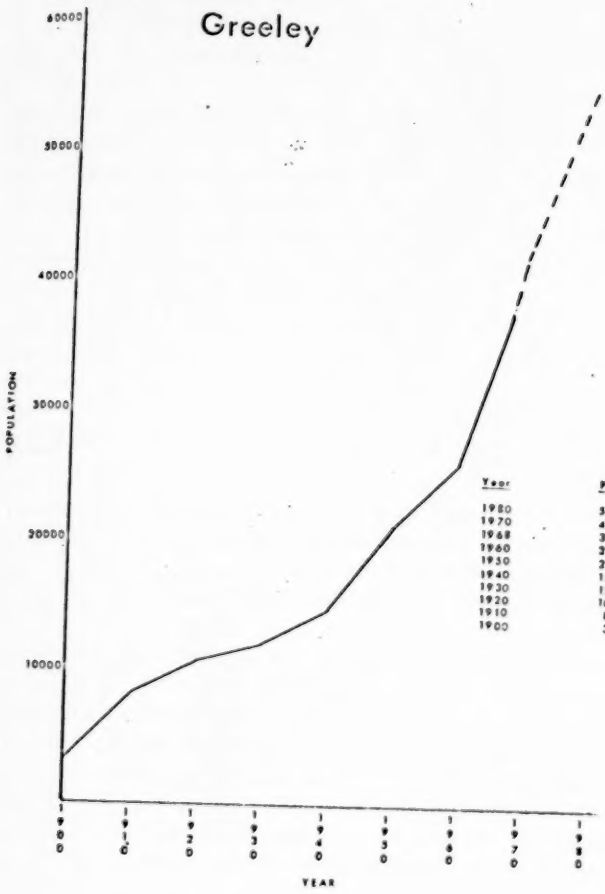
(5)


Deposits - Greeley Banks
1944 - 1968
MILLIONS
45
40
35
30
25
20
15
10
9
8
7
6
5
4
3
2
1
FIRST NATIONAL
GREELEY NATIONAL AND AFFILIATE (a)
WELD COUNTY BANK
STATE BANK OF GREELEY
(a) West Greeley National
Cache National Bank

(6)

Population Trends

Greeley



Year	Population
1980	55,000
1970	42,000
1968	37,971
1960	26,314
1950	21,354
1940	15,995
1930	12,203
1920	10,958
1910	8,179
1900	3,023

Source: Greeley- Weld County Industrial Business Development Foundation, Inc

1. *Extent to which community needs for banking services are going unserved.*

Appendix A—at the end of this exhibit—sets forth a comparison of the banking, trust and investment services offered by The First National Bank of Denver, Applicant's principal subsidiary, with those offered by Greeley and (to the best of Applicant's available information) its competing commercial banks.

While many of the services offered by Greeley, as shown in Appendix A, are characterized under the heading "Full Service," the quality of the service offered is in many cases below that which customers in the area will be able to receive should this Application be approved.

Applicant believes that reference to Appendix A clearly sets forth in detail the extent to which "community needs for banking services are going unserved." If this Application is approved, Applicant will insure that each and every service provided on a "Full Service" basis by The First National Bank of Denver will be available and provided either directly or indirectly also on a "Full Service" basis to Greeley.

2. & 3. *Extent to which new services, not now conveniently available, are to be provided and contemplated changes in Bank's present services and the advantages which can reasonably be expected to accrue to the community as a result thereof.*

Applicant's principal subsidiary, and to a lesser extent Applicant's other subsidiaries, offer a variety of services to their customers, some of which are, in similar form, provided by other banks in the area, but which are not presently being offered by Greeley (Appendix A). As stated above each and every service provided by Applicant's principal subsidiary will be available or provided either directly or indirectly on a "Full Service" basis to Greeley.

Among these services not presently offered by Greeley but which will be are the following:

(a) *RevolvAccount.* The plan involves prior approval of credits of bank customers so that their overdrafts will automatically be honored up to a stated limit, which is $300-$2,000 in the case of First National, depending upon the customer. Greeley has adopted the BankAmericard plan, which permits total bor-

owings to cardholders of up to a $1,000 maximum in selected cases. The loan, however, is actually made and approved by The Colorado National Bank of Denver, and it is necessary for a Greeley bank officer to call that bank prior to making a loan. Moreover, until Greeley adopts BankAmericard's overdraft checking plan, the loan is not automatically granted through the simple issuance of a check by the customer and he must come to the Bank and request credit.

(b) *Blue Ribbon Savings.* Under this plan, if a depositor has a "Blue Ribbon" savings account of at least $1.00, he is paid daily interest, computed quarterly, at the rate of 5%, if his funds are kept in the bank for at least 90 days. This plan has special advantages over certificates of deposit. In the first place, the continual renewal and replacement of certificates is a drain on officer time; secondly, certificates of deposit normally have to be purchased in amount of $1,000 or more; and thirdly, the customer gets the higher rate regardless of the withdrawal date, after the first 90 days. Withdrawals may be made on the last day of each quarter or within 10 days thereafter on funds that have been on deposit at least 90 days. Otherwise, all funds which have been on deposit 90 days or more may be withdrawn any time with 90 days' written notice. Funds which have been on deposit less than 90 days may be withdrawn only under circumstances of extreme urgency or hardship. This quarterly computing of daily interest is equivalent to an annual rate of about 5.16% for the customer who keeps his money on deposit for a year. Blue Ribbon Savings accounts are available to Individuals, Businesses (corporate and non-corporate) as well as Non-Profit Organizations. Each account is fully assignable and may be used as loan collateral.

(c) *Account Reconciliation Plan.* This plan makes use of First National's sophisticated electronic equipment in the handling of account reconciliation. Two account reconciliation plans are made available: One, a partial plan which encompasses only paid items; the other, a full plan encompassing paid and

outstanding items. In either plan, the account reconciliation statement lists each check in number sequence, showing date of payment of checks; date of entry of outstanding checks; and other special transactions. In addition, on request, a special statement can be rendered on other than cycle dated; duplicate account reconciliation statement copies may be issued each statement cycle if desired; and a daily listing of account activity may be provided.

(d) *RecordAccount.* RecordAccount is a record-keeping service for individuals or business which is designed to eliminate a substantial amount of "tedious" bookkeeping; classify receipts and disbursements; gives monthly and year-to-date totals; provides tax information to the customer; and keeps a customer's records up to date.

To the exent that such new services are provided by Greeley, the convenience and needs of the community will be better served. In addition, to the extent that others are providing the same or similar services, the community will be better served by having a suitable alternative for such services.

The principal contributions that the proposed acquisition will make to the convenience and needs of the area which Greeley serves fall in the following categories: (a) It will make it possible for Greeley to offer a full range of specialized banking and credit services to individuals and businesses in the area, many of which are currently available only to a limited extent; (b) Agricultural credit; (c) Real Estate financing; (d) Improved trust and investment advisory services; (e) International banking services, practically none of which are currently available at Greeley nor any of its competing banks; (f) Marketing, Advertising and Public Relations; and (g) Improved management training and replacement programs.

(a) *Full Range of Banking and Credit Services.* All of the specialized banking and credit services to individuals and businesses in the Greeley area which are presently being provided for only on a "Limited Service" basis, on a correspondent basis or which are not being provided at all, will through the Applicant and its principal subsidiary, The First National Bank of Denver, be able to be provided on a "Full Service" basis should this application be ap-

proved. This will be possible through the coordination by the Applicant of the knowledge and expertise of the personnel presently providing these services. For instance, in the area of installment loans the officer in charge of the installment loan division of First of Denver feels very strongly that Greeley could handle more business without additional help. The installment loan department of Greeley is presently not computerized due in part to the fact that they have only 1,600 individual accounts, and Greeley's management feels that with this limited number of accounts computerization would not be economical. However, should Greeley become affiliated with Applicant, the department would be computerized as soon as possible and an aggressive advertising and sales promotion effort would be undertaken which Applicant feels would result in successfully developing more business which would then justify computerization of the department. Also in this area of installment lending, Greeley will provide the following services which they are not presently providing: (a) direct airplane financing; (b) indirect lease financing; (c) indirect mobile home financing; (d) revolving credit; (e) direct home improvement loans other than Title One FHA loans; and (f) indirect motorboat, trailer and motor financing. Thus, approval of this application will contribute significantly to meeting the present needs and conveniences and growing demands of the community.

(b) *Agricultural credit.* As of December 31, 1968, Greeley's loans equaled 68% of its deposit liabilities and 75% of its non-public deposits. Of Greeley's loan portfolio on such date, 41% was in farm loans (excluding farm real estate loans). During the years 1964 to 1968 the per cent of the loan portfolio attributable to farm loans increased 6 percentage points (from 35% of total loans outstanding to 41% as previously stated), while the per cent of the loan portfolio in real estate loans (excluding farm real estate) only increased 3 percentage points, during the same period consumer loans *decreased* 2 percentage points, commercial and industrial loans *decreased* 3 percentage points and farm real estate loans *decreased* 2 percentage points.

This high percentage (41%) of Greeley's loan portfolio in farm loans (excluding farm loans (excluding farm real estate loans) tends to limit the deposit growth of Greeley since, traditionally, farm loans do not generate deposits

to the same extent as do commercial loans. And any such limitation in deposit growth reduces, to that extent, Greeley's ability to provide lendable funds for other segments of the economy in the community.

It is apparent, therefore, that it would be desirable for Greeley, in order better to serve the *entire* economy of the area, to *reduce* the percentage of its total loan portfolio in farm loans, and yet continue to provide agricultural credit to the same (or greater) degree to meet the agricultural credit needs of the community. To this end, so that Greeley will be in a better position to serve the agricultural needs of the area, and at the same time improve its ability to serve the other growing segments of the economy, Applicant, if this application is approved, intends *immediately* to organize an Agricultural Credit Corporation as a wholly-owned subsidiary, subject only to the ability of Applicant to raise the necessary capital either by borrowing or by the issuance of securities. It is anticipated that Applicant's proposed Agricultural Credit subsidiary will be *initially* capitalized at $500,000, and that said subsidiary will enter into the usual agreement with The Federal Intermediate Credit Bank of Wichita, Kansas. The Federal Intermediate Credit Bank will then discount acceptable farm loans made or purchased by the Agricultural Credit subsidiary at up to four times ($2,000,00) the subsidiary's capital, and, following a satisfactory examination of the subsidiary by The Federal Intermediate Credit Bank (after approximately one year of operation), at up to seven times ($3,500,000) the subsidiary's capital. All such farm loans sold to The Federal Intermediate Credit Bank are discounted with full recourse on the subsidiary Agricultural Credit Corporation only. Applicant is of the opinion that the organization of a wholly-owned Agricultural Credit Corporation subsidiary is permissible under the Bank Holding Act, as amended. Applicant believes that such an investment of $500,000 to form its Agricultural Credit subsidiary will return at lease 10% to Applicant on its invested capital by the end of the second year of operation.

The Executive Vice President of Greeley has stated to the Applicant that, in 1968, while it was believed all requests for agricultural credit were *adequately* met, such agricultural loans were starving the development of other types of loans. Procedurally, the Agricultural Credit sub-

sidiary would purchase from Greeley some existing and all new qualifying agricultural loans, which loans it would, in turn, discount to The Federal Intermediate Credit Bank of Wichita. Greeley, for a service fee would act as servicing agent for these loans.

While the activities of Applicant's Agricultural Credit Corporation will not be limited to Greeley's service area, it will favor the purchase of loans made or initiated by Greeley, in order to carry out Applicant's stated purpose of helping Greeley better to meet the needs and convenience of the community to be served. Of course, in addition to providing greater farm lending capability through the organization of the Agricultural Credit Corporation, Greeley, as a member of Applicant's group of banks, can reasonably expect more readily to participate its farm loans (not usually regarded too highly by city banks) with members of the group. This is true since, because of the permanence and the relationship of Applicant's subsidiaries to each other and to the Applicant, each subsidiary has a greater "call" on the other than it otherwise would should there be merely a "correspondent" relationship.

Applicant is certain that the contemplated changes described above will have a *significant* effect in meeting the total economic needs of the community to be served, as well as the anticipated large future demand for agricultural credit in the area. While Greeley could, of course, start its own agricultural credit corporation the amount of capital required is such that Greeley believes to do so would be impractical and unwise at the present time.

(c) *Real Estate Financing.*

1. *Commercial Bank Mortgage Lending—General.* In the last decade, commercial banks throughout the United State have recognized that they must help provide the funds needed to finance the great demand for housing units. This is definitely illustrated by the fact that during this decade commercial banks have increased their mortgage holdings from $28 billion to $68 billion. As banks continue the trend to become "full service" banks, their mortgage holdings will continue to increase. A bank's ability to hold long term mortgage loans is naturally limited by the size of its deposits, capital funds and the credit demands of others. It has been particularly difficult for smaller banks to contribute significantly to the mortgage loan demands

of their communities, and even more so in the capital scarce areas of the West. A few small banking institutions have attracted mortgage funds to their communities by establishing a sophisticated mortgage banking operation.

Mortgage banking has been done historically by modestly capitalized corporations other than commercial banks which originate long term mortgage loans, sell the loans to large financial institutions such as life insurance companies, Eastern savings banks, large pension funds, and some savings and loan associations, with servicing retained by the originator. It should be noted that in the Greeley area, the Greeley National Bank is the only commercial bank originating and selling to institutional investors a significant number of mortgage loans ($15,000,000), thereby giving it a competitive advantage over other commercial banks in the area. The First National Bank of Greeley has no institutional investors to whom it may sell mortgage loans. Such institutional investors will be provided through the 40 investors represented by The First National Bank of Denver, thereby making the First National Bank of Greeley more competitive with the Greeley National and other banks, and also providing additional mortgage loan funds for Greeley and the surrounding communities. The largest suppliers of mortgage funds in the area currently are savings and loan associations and direct lending by insurance companies. The mortgage banking facilities of The First National Bank of Denver would also enable the First of Greeley to more favorably compete with these financial institutions, providing a significant banking alternative.

2. *First of Denver Real Estate Loan Operation.* The Real Estate Department of The First National Bank of Denver primarily serves the five county Denver metropolitan area, and is the largest provider of construction and long term mortgage loans in the five county area. For example, during the first seven months of 1969, published recorded statistics indicate that The First of Denver recorded $39.3 million, compared to the next largest recorder, Western Federal Savings & Loan, of $34.4 million.

In line with the national trend, during the last decade of commercial banks increasing their mortgage lending activity, The First National Bank of Denver has developed a very large real estate loan department. It has increased its construction loan lending from $5 million outstanding

in 1965 to $20 million in 1969. Because of its knowledge and expertise in the field, it has been able to sell participations to large Eastern banks; over the last few years averaging $20 million outstanding in addition to its own outstandings. It is virtually impossible for a small bank such as the First National of Greeley, without a sophisticated real estate department, to attract this type of money to its community from the large Eastern banks. It is contemplated that with the assistance of The First National Bank of Denver, a real estate department will be developed in the First of Greeley, and The First of Denver through its sources will provide additional construction loan money to the Greeley and surrounding communities.

The First National Bank of Denver, being in a capital scarce area as far as mortgage funds are concerned and an area of strong credit demands from others than real estate borrowers, has a limited amount of money available for long term real estate loans. Recognizing this, and following the national trend of over 100 banks which in the past several years acquired mortgage banking firms, The First National Bank of Denver, in July of 1968, completed the acquisition of mortgage loan servicing contracts of the Mortgage Investments Company, the largest mortgage banking firm in the Rocky Mountain region. Through the acquisition of these servicing contracts, The First National Bank of Denver now represents 40 institutional investors who make available long term mortgage loan funds through The First National Bank of Denver. First National is at present servicing loans totaling approximately $271,000,000. These investors if this Application is approved will be represented by Greeley, thereby providing significant additional long term mortgage loan funds to the Greeley area.

Mortgage Investments Company maintained four branch offices, one each in the Happy Canyon Shopping Center and Bear Valley Shopping Center in Denver, one in Colorado Springs and one in Greeley. Following consummation of the purchase, First National acquired all applicable personnel of Mortgage Investments Company and those who were employed in the branch offices continued on as employees of First National. First National by assignment became lessee of offices. These offices now became "Loan Production Offices" of First National and as such the business transacted there was significantly restricted due to Colorado Anti-Branch Banking laws. Full service to

mortgage loan borrowers is thus not possible. Loan production offices are not permitted to disburse loan proceeds nor to collect payments on mortgages after they are made. Loan production offices are limited to the solicitation and processing of loan applications. Closings must be consummated through a title insurance company acting as disburser of the loan funds which, in effect, increases the cost of originating a mortgage loan by some $50-$75 per loan. As a result the Greeley loan production office does not make construction loans because of this cumbersome manner of doing business and the additional cost. Additional cost to the loan production office for making a construction loan would be in excess of $100. The continuance of these former branch offices as loan production offices was a natural result of the purchase. Since that time effectiveness and profitability of these loan production offices has been under constant review and on November 29, 1968, the office in the Happy Canyon Shopping Center was closed. The office in the Bear Valley Shopping Center was closed September 12, 1969. The loan production office in Greeley has been operating at a loss and the officer in charge of the First National's Real Estate Department is currently carefully evaluating whether to close this office because of its unprofitability brought on by its restrictive operation. Continuation or closing of these loan production offices whether in Denver, Colorado Springs or Greeley, of course, has nothing to do with Applicant's proposal to acquire Greeley. Therefore, Applicant would vigorously deny the relevancy of any argument that if First National were, in fact, to clost its Greeley loan production office such could be considered an anti-competative factor in terms of this Application. To do so would be like comparing apples and oranges, or like concluding that eliminating a service currently provided any of Applicant's subsidiaries is anti-competitive in terms of this Application.

By instituting a "Full Service" real estate department at Greeley, Greeley will be able significantly to contribute to meeting the present demands for real estate financing of all kinds, particularly in the category of construction and long term mortgage loans in the residential field. A banking alternative in the area of providing residential mortgage loans will become more and more important in meeting the convenience and needs of the people in the Greeley area. One, and only one, example of this is the

arge number of well-paid employees which are and will continue to be employed in increasing numbers by Kodak at Windsor. As pointed out above, only if this application is approved will Greeley be able to provide such real estate loan services on a "Full Service" basis.

The following is an additional example of the type of service which it will be possible to provide in the Greeley area, but only, applicant believes, if this application is approved.

The 1968 National Congress established a new agency, Government National Mortgage Association (GNMA), whose primary function under the auspices of HUD will be to supervise, regulate and audit associations which will issue public securities which will be fully secured by FHA insured and VA guaranteed mortgage loans. GNMA will guarantee the securities issued, which guarantee is an obligation of the United States Treasury Department. Proposed regulations governing the corporate issuer have been distributed and the final regulations will be published some time during the month of September. Proposed regulations provide, among other things, for the following:

1. No issue of securities will be approved for guaranty unless the issuer has a net worth in assets, acceptable to the Association, of not less than 3% of the amount of guaranteed securities to be oustanding after each issue.
2. Each issue of guaranteed securities must be in a minimum face amount of $5 million.
3. The initial face amount of any security cannot be less than $100,000.
4. Each issue of guaranteed securities must be backed by a separate pool of mortgages which have been insured or guaranteed no longer than six months prior to the date on which the Association enters into a commitment to guarantee the securities.

These few proposed regulations imply that it will be difficult for banks and small corporations to become an issuer of the GNMA guaranteed securities. With the knowledgeable Real Estate Department of The First National Bank of Denver and with its large volume of mortgage loan originations, together with its large capital structure, The First National Bank of Denver can and will pool with its FHA and VA loans those of The First of Greeley and

applicant's other subsidiaries for the purpose of issuing GNMA guaranteed securities. Most smaller banking institutions will not have the know-how, the volume of FHA and VA loans, nor the capital structure to issue such securities.

(d) *Improved Trust and Investment Advisory Services*

The problem of providing adequate trust services to a community which has residents of substantial worth and prosperous business enterprises, but which is not a major center of population and wealth, has always been a difficult one. Banks in such communities feel that failure to offer trust services results in the loss of customers and their deposits to the banks in the nearest financial center, and once one bank in such a community opens a trust department, then other banks within the community feel that for competitive reasons they must offer trust services also. While it cannot be said that there is a specific volume of trust business above which the operation of a trust department can be profitable, but below which the operation of a trust department cannot be profitable, it is the clear consensus of those knowledgeable in trust work that trust departments of the size which exist in the city of Greeley, including the trust department of The First National Bank of Greeley, cannot—if adequately staffed—operate at a profit and, if it is sought to make a profit possible through holding staffing at an inadequate level, that such departments cannot render an adequate trust service to the community. In ability or unwillingness to provide an adequate staff for trust work also exposes the bank operating a trust department to the possibility of liability and loss through surcharge due to an inadequate or ineffective trust operation.

The effective utilization of assistance which could be supplied, and in the event of the approval of this application would be supplied, by The First National Bank of Denver, the major bank controlled by applicant, presents a feasible way of increasing very substantially both the quality and quantity of trust service which could be rendered by Greeley to the community which it serves.

According to the *Directory of Trust Institutions, 1968*, three banks namely: First National Bank of Greeley, The Greeley National and Weld County Bank in Greeley maintained trust departments, and they report their assets at, respectively, $10,000,000, $8,000,000 and $7,000,000. It is

he applicant's belief that no trust department in the city f Greeley is adequately staffed to render the full measure f trust service to which the community is entitled, and that his is due to the limitations on the experience, training nd background of trust personnel in the city of Greeley, nd the inability of the area banks to provide to their trust epartments needed investment materials, data processing acilities, and the like. Thus the community needs and onveniences of the area are not being conveniently ful- illed by any of the city of Greeley's trust departments. reas in which there is a significant lack of service, or in hich due to lack of experience, background and facilities he presently offered service is considered to be inadequate o the needs of the community, are as follows:

Investment Service

Greeley offers this service only on a limited basis. Personnel within its trust department are neither skilled nor experienced in investment work. Greeley's sole source of investment information is the investment advisory service offered by the Harris Trust and Savings Bank of Chicago at an annual fee of $3000 to subscribing banks, and this service relates only to common stocks. Greeley's personnel (three officers) and the information services available for them to utilize as a foundation for the formation and exercise of investment judgment are not adequate to permit the offering of a worthwhile investment advisory service to the community. The same personnel and supporting investment service also discharge the trust department's function in the investment of its trust funds; and the same lack of skilled and qualified personnel, and current investment information to support personnel, impairs Greeley's ability to perform the investment function in its trust just as it impairs its ability to offer a satisfactory advisory service.

Pension and Profit Sharing Service

Greeley offers these services only to a very limited degree, and the personnel of Greeley's trust department are unable to provide in proper degree the assistance in the design of retirement plans and in the compliance with approval and reporting requirements necessary adequately to serve the companies and individuals in the community interested in the implemen-

tation of such plans. The business and industrial growth in the Greeley area, the growing trend toward the incorporation of professional groups, and the continued rapid growth in the proportion of existing corporations which are establishing retirement plans for the benefit of their employees will combine to create a growing market and demand for pension and profit sharing services which cannot be met adequately by the trust departments of the area banks as presently staffed and supported.

Business Development

Primarily due to limited staff and budget, it is not possible for Greeley to devote sufficient time and talent to the solicitation of new business to constitute a thorough offer of even such services as it has available to those who would be benefitted by such services. Greeley's ability to counsel customers in the fields of estate and tax planning is limited by the limitations of its personnel. Greeley's direct mail and related advertising programs need revision and enlargement in order adequately to present even their present limited services to their market. Relationships with attorneys, accountants, life insurance underwriters and other professional and occupational groups which should constitute sources of new business need to be established and strengthened.

Operational Procedures

The majority of Greeley's trust department's accounting and reporting is done manually and consequently without the speed, accuracy and efficiency which necessarily results from a computerized operation. The statement of assets held, presently being supplied to trust customers, is not as complete and informative as we believe it should be to reflect properly the status of the account. The modernization of Greeley's operational procedures would require not only the utilization of modern office machinery, but also a staff of competent, technically trained personnel.

Applicant's Ability to Improve Greeley's Trust Services

The Trust Department of The First National Bank of Denver, the major banking units controlled by applicant, is by a wide margin the largest and most ex-

perienced in the Rocky Mountain region. If this application is approved, it is the intention of applicant to make available to Greeley the help and assistance of the various specialized divisions within the Trust Department of The First National Bank of Denver, and to cause Greeley to utilize the available skill and experience, as well as the investment reporting and analysis services and other facilities utilized by the Denver Trust Department in the performance of its services. Specifically, within the investment field, Greeley will have access to the wide range of investment reporting and analytical services which the Denver department received from investment houses, security research firms, and other banks. Greeley will also have the benefit of the judgment, skill and experience of the Denver department's investment officers. Within the pension and profit sharing field, the experience of the Denver bank's personnel will be made available to Greeley; and forms, procedures and routines developed by the Denver department and found to be effective will also be available to Greeley. In the operational field, the possibility of developing a substantially more extensive system of reporting trust department transactions to beneficiaries and developing a much more informative manner of supplying pertinent information on investments held in trust accounts to beneficiaries will be explored. The Denver bank is presently engaged in the installation of a very comprehensive electronic data processing system for its Trust Department, and the possibility of the utilization of this system for the accounting and bookkeeping purposes of Greeley's trust department holds substantial promise of improvement of Greeley's trust service.

The improvement of trust services in the areas outlined herein, and in other areas as well, (see Appendix A, Comparison of Existing Services . . .), can be accomplished more effectively by bringing Greeley into the Applicant holding company than in any other way. While it is possible for a bank with a major trust department to be helpful to its correspondent banks, including Greeley, such help as they might desire to accept in improving their trust department services, the help so rendered has been very limited and of far less effectiveness than would be in the case if The

First National Banks of Denver and Greeley were associated within the holding company framework. Considerations of personal pride, territorial loyalty and lack of wholly effective communication on both sides of even a close and cordial correspondent relationship, prevent the complete and rapid flow of information from one bank to another which is essential if Greeley's customers are to have the benefit of the higher level of trust service which Greeley could render with the help of trust knowledge and experience available from the major bank within the holding company. It is only when identity of effort, control and profit motive exist between the two banks involved, brought about by common ownership and control by applicant, that the greatest improvement in Greeley's trust services can be accomplished. Since, as stated above, the Trust Department of The First National Bank of Denver is by a wide margin the largest and most experienced in the Rocky Mountain region, no other present or proposed bank holding company is or will be able to provide, through its affiliation with any Greeley bank, the same conveniences or meet the needs of the community to be served to the extent that Greeley will should this application be approved.

(e) *International Banking Services*

The current administration in Washington is making every effort to stress United States export policy by the continued development of governmental assistance programs currently available through the local banking system. The implementation of the export policy can be aided, or more readily brought about, through the extension of international banking services provided by local banks.

INTERNATIONAL TRADE POTENTIAL OF THE WELD COUNTY AREA

The *Rocky Mountain News* of September 5, 1969 refers to Weld County as the richest farm county east of the Rockies, and the seventh richest farm county in the Nation. The article also states that the county's farm economy is further boosted by the presence of Monfort Feed Lots which feeds 100,000 head of cattle daily, the world's largest under private ownership. This fruitful county paralleling the east range of the Colorado Rockies is larger than

e Island, Delaware, and the District of Columbia
ined.

addition to its rich farm economy, Weld County as
ed out above is fast gaining attention as an unusually
ising location for industrial expansion, for example,
uclear power plant being constructed near Platteville,
he major new plant of Eastman Kodak Company near
sor. Ampex, Hewlett Packard, Minneapolis Honey-
Orbintronics, Inc., Bendix Corporation, Ferroxcube,
ist a few of the many companies attracted to Colorado
ent years, and all having international markets. As
ype of expansion continues into Colorado and more
ularly the Weld County Area, without question there
e need for a bank in the Greeley area offering full
international services.

U. S. Department of Commerce Field Office in Denver
tes that the Weld County area, of which Greeley is
ub, is an increasingly important contributor to the
sion and development of export trade. Approximately
r cent of Weld County firms are currently exporting,
appears from evaluation of manufacturing industries
his percentage could increase to 40-50 per cent in the
o distant future. Although no export volume figures
ailable by individual county breakdown, it is believed
Weld County will continue to make a sizeable contribu-
o Colorado's present export volume of approximately
00,000 annually.

export volume increases, there will be on site require-
for a local bank capable of offering the full range
ernational banking services on a direct basis. Only
gh knowledgeable banking personnel readily available
areas of market development, export financing, for-
contracts, foreign exchange, letters of credit and
entation, will the export potential of the Greeley
e rapidly and effectively developed, encouraging fur-
rowth.

example, the International Division of The First
nal Bank of Denver reports a recent trip to Colorado
gs, visiting correspondent banks in the area, in which
nks contacted stated that although they were unaware
export and international trade potential, they would
h referrels to their Denver correspondent if requested
e customer. How much better, if the necessary serv-

ices were actively merchandised in order to develop fully export sales growth in the Colorado Springs area.

What International Banking Services Are Currently Available in Greeley

Full Scale Travelers Checks

This basic financial service is made available to virtually all commercial banks through the principal issuers, American Express Company, The First National City Bank of New York, and Bank of America, N.A. These instruments may be negotiated by travelers throughout the world; however, this fundamental service, while obviously important, is essentially retail by definition, oriented toward the individual banking customer. It is important to note that this is the *only* international banking service currently available on a full-scale basis in the Greeley area.

International Banking Services Having Limited Availability

Travelers Letters of Credit

These instruments are obligations of the issuer, primarily American Express Company and First National City Bank of New York, and entitle the beneficiary to draw against the credit up to the total amount issued anywhere throughout the world. It is the understanding of Applicant that these letters are currently issued on a limited direct basis by the Greeley banks, and are also provided through their Denver and larger money center correspondents. This, too, is a service not actively merchandised by the Weld County banks. Although primarily a retail service, these letters may be used by businessmen traveling extensively abroad over an extended period of time, and can be an important tool of international commerce. The International Division of The First National Bank of Denver reports that if Greeley were a subsidiary of Applicant, blocks of unissued letters could be transferred to the control of Greeley, thereby minimizing paper work and facilitating the direct issuance of the same.

Letters of Introduction

Letters of introduction are used primarily to assist bank customers traveling abroad to make necessary business

tacts and develop export sales. Although this service currently provided on a limited basis by Weld County ks, primarily through regional correspondents, the In- national Division of The First National Bank of Denver orts that to be most effective such letters should be ied by a bank having international stature and world- le correspondent relationships. Recently a letter of in- duction was issued by First National in order to assist official of C.F. & I. Steel Corporation in establishing tacts on a trade development trip to Japan.

a subsidiary of Applicant, Greeley could directly vide this service to its banking customers, utilizing the gnition and contacts of all the subsidiary banks. Offi- of Greeley would have their signatures registered with foreign banks, thereby insuring acceptance and co- ration.

* * * * * * * * * * *

he three services mentioned currently available on a ct or limited basis to Weld County corporations con- ite an extremely limited inventory for even the present ls in this important commercial area. Should Greeley pproved as a subsidiary of Applicant, The First Na- l Bank of Denver would stand prepared to train and an International Department for Greeley. This d not be warranted through traditional correspondent relationships.

Acceptance Financing

Acceptance Financing covers both Trade Acceptances and Bankers Acceptances.

The service of financing acceptances if directly available in the Weld County area would greatly facilitate the development of export/import trade, and would create an important new source of working capital.

Advances Against Collections

Arrangements may be made whereby Greeley as a subsidiary bank of Applicant may be willing to advance or grant a line of credit to an exporter for advances against his documentary drafts with all advances being made on a with recourse basis in the event of non payment of the draft. The advances so made plus all charges, expenses and interest incurred would be debited back to the exporter's account. The various and sundry forms and regulations governing this type of transaction would be made available to Greeley by First National.

Commercial Letters of Credit

In the important area of commercial letters of credit, at present, Greeley and its competing banks are providing this service to a limited extent through regional (such as Denver) correspondents and their larger money center correspondents. Should this application be approved, this service would be offered on an on-site basis by trained personnel. Commercial letters of credit are generally recognized to encompass two areas, import and export transactions. While it is true that in the area of commercial import letters of credit, Greeley could continue to provide the service through the traditional correspondent relationships, the present limited service would be upgraded by providing this service directly.

Commercial export letters of credit require review by the remitting bank of documentation, preparation of drafts and compliance with the terms of the letter of credit issued by the foreign bank. It is the understanding of the Interna-

l Division of First National that export letters of
t currently received in the Greeley area by some of the
r exporters are being processed through the larger
y center banks, rather than through a Greeley bank,
at the service is not generally available in Greeley at
resent time. Only if Greeley is affiliated with the Ap-
nt could this particular service be provided on a full
ce basis to customers in the Greeley area on a direct
because: (a) of the necessary expertise required;
hat even should Greeley acquire such expertise, foreign
s would not be apt to recognize the Greeley bank.
mmercial letters of credit emphasize the need of a full
ice bank with trained personnel. The International
sion of First National cites the following example of
difficulties experienced by a national concern with manu-
ring facilities in Denver.
is company shipped to a South American buyer after
ng prepared all documents and effected shipment
gh compliance with the terms of the purchase order
er than the letter of credit issued by the foreign bank.
terms and conditions of the letter of credit were not
and as a result, payment was refused. At this point,
mpany representative was referred to First National
entered the bank with an arm load of documents and
espondence. Through connections both nationally and
rnationally and through the knowledge of the Interna-
l Division, gained only through experience, the prob-
were solved and remittance is now being obtained.
important to recognize the value of the assistance pro-
d by knowledgeable banks in export trade.
e refer to "Exhibit A" as a similar example, with
fics attached.

Export Credit Insurance and Guarantees

port credit insurance comprises one of the essential
s of export financing. As an example of services offered
e area of export financing, The First National Bank
enver is currently considering obtaining a Foreign
it Insurance Association policy which would insure
exporters for both political and commercial risks, up
per cent political and 90 per cent commercial, covering
shipments worldwide. (Commercial banks are author-

ized to participate in this governmental assistance program.)

The International Division of First National reports that a preliminary phone call to the San Francisco office of FCIA indicates that such a policy could be issued in the name of Applicant thereby enabling all subsidiary banks to insure directly and finance their export customers. Although any commercial bank may now obtain a policy directly, as a practical matter its use would be determinate upon capability of foreign credit reporting, export documentation, and repetitive transactions.

Foreign Collections

Foreign Collections, as in the case of all the international services requires the expertise of a readily available trained staff.

Documentary drafts relative to foreign collections requires not only a knowledge of collection, but additional knowledge of the foreign governmental controls instituted to regulate the out-flow of foreign exchange, more specifically U. S. Dollars. In order that payments of these items not be delayed, the documents attached to the drafts, be they time or sight, must be examined for compliance with the letter of credit, or if no credit is issued, in compliance with the regulations governing the particular country involved.

Foreign Correspondents

International trade is a two way street and must provide equal benefits to all participants. As a member of The First National Bancorporation, Greeley could participate in the benefits of First National's long-standing and important foreign correspondent relationships. Through this network of full service international banking facilities, Weld County banking could keep pace with the ever expanding role of Colorado commerce and industry. Applicant believes that currently there is no direct contact between Weld County area banks and financial centers located throughout the world. It is only through development of such relationships that trade dollars and documentation will flow smoothly between Weld County exporters and their foreign buyers.

Foreign Credit Information and Investigation

This service is truly of great importance to the ever ex-
nding role that Weld County now plays in export trade.
e First National Bank of Greeley as a member of Appli-
t could offer to its customers the benefits of a research
partment capable of obtaining new sales outlets and new
rces of finished or raw materials for customers in addi-
n to developing necessary credit information.
As a member bank Greeley could provide this information
re readily, inasmuch as direct contacts overseas would
available to them. Other sources such as the U. S. De-
tment of Commerce, Bureau of International Commerce,
tional Association of Credit Management of New York
The Foreign Credit Interchange Bureau, while gen-
lly available to them presently, could be more easily
ained through the Applicant's facilities.

Foreign Exchange Purchase and Sale

This phrase is generally used to denote transactions in-
ving the purchase and sale of foreign currency and coin,
well as checks, drafts and similar instruments.
pecifically, it is the conversion of the money of one
ntry into the equivalent of that of another country. This
n of international service is one that requires day to day
tact with the money centers and an understanding of the
ious facets that cause fluctuations in the foreign money
ket. As a member of The First National Bancorpora-
, Inc., Greeley with its trained staff could render this
ice on an immediate basis for its banking customers,
reas under a correspondent relationship these items are
lly provided on a collection item basis thereby causing
ue delay of remittance to customers.

Foreign Trade Specialists

n important tool in the expansion of any area—indus-
and agricultural, is the development of new sales out-
and new sources of supplies, raw and finished. Appli-
believes Greeley, as a member of Applicant, would be
e best position to meet the requests of its customers, as
as using specialists as a development tool for new re-
nships. The International Division of First National
vs of no foreign trade specialists that are currently

available on the staffs of Greeley banks to provide counsel to the Greeley banking public in the areas of trade development and marketing. Further, they report that if The First National Bank of Greeley were a Bancorporation member, trained personnel would be available on a full time basis, subject to volume warranting, or through a regular calling program implemented directly by The First National Bank of Denver as a means of stimulating growth. Such a program would be warranted only with Greeley as a member bank.

Forward Exchange Contracts

From time to time an importer or an exporter will buy or sell merchandise under an agreement to pay or accept payment in a major foreign currency. In order to protect himself to the greatest degree from loss in exchange, advance arrangement can be made through a bank with international capability under which a contract is issued to buy or sell the foreign currency at a future date at an agreed rate. A contract that makes provision for the delivery or purchase of foreign exchange at a future date is known as a forward contract. A transaction involving the immediate execution of a buy or sell transaction is referred to as a "Spot Order".

Once again, forward contracts demand specialized knowledge in the areas of foreign exchange and contract financing. As a member bank, The First National Bank of Greeley would have trained personnel available to negotiate these contracts directly with Greeley area companies requiring this service.

In conclusion, Applicant believes that the fertile fields and burgeoning industrial complex of Weld County demand a degree of banking that will fully serve the needs and future growth of this promising area.

Acceptance, arbitrage, allonge, Bill of Lading, Foreign Exchange, CIF, CCO, documentary credit, ETA, Blocked Exchange, Futures Contract, Go-down, in bond, Letters of Credit, Marine Insurance, PTY, Red Clause, Ships Manifest, Trust Receipt, Warehouse Receipt—specific terms, yes, but as specifically used in day to day international operations moving goods and finance throughout the world.

These terms of art and the knowledge needed to bring them to life and in use in the Greeley area will become a

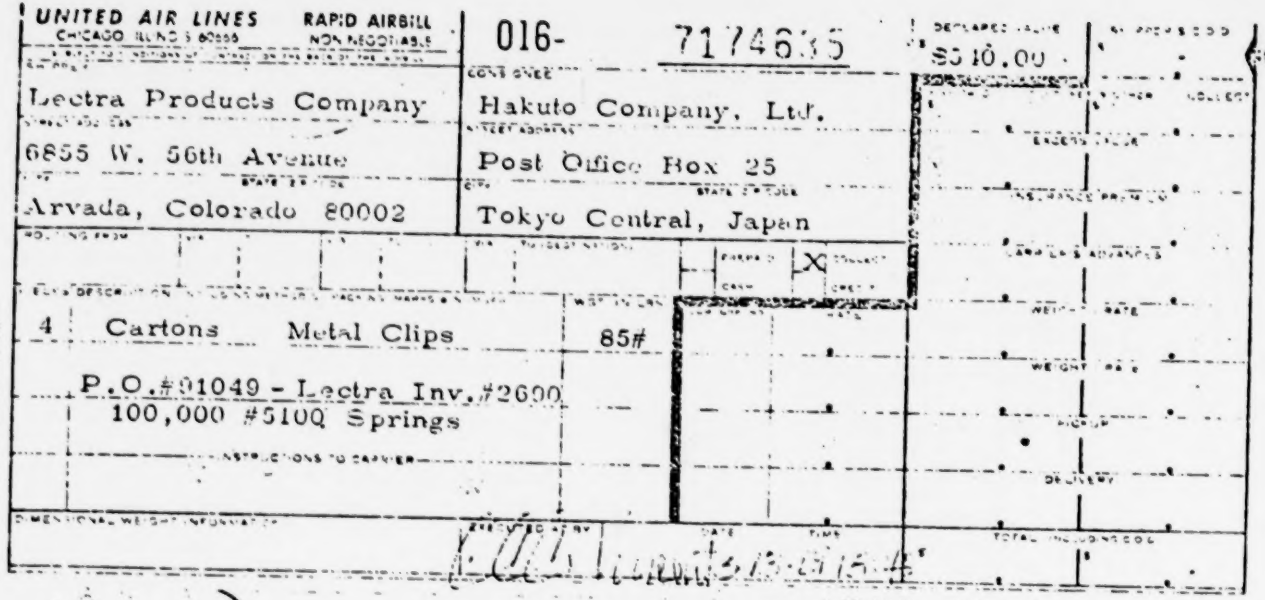
reality more readily if Greeley is permitted to become a subsidiary of Applicant because Applicant pledges to provide Greeley with such staff and expertise as is necessary to enable Greeley to offer the international banking services that the area does now require and will in the future need on an increasing scale.

Exhibit A

We present for your examination a sample of what can happen, when a customer of a correspondent bank without complete international facilities offering the expertise so necessary in international affairs presents incorrectly prepared documents for payment;

1. Bill of Lading—incorrectly consigned.
2. Bill of Lading—marked prepaid, should have been collect.
3. Bill of Lading—⅓ of original missing.
4. Invoices—lack import license number.
5. Credit—Overdrawn by $20.62.

After much telephone conversation, wires and letters we have obtained a partial payment of $2,446.12 as against a former unpaid collection item in the amount of $2,770.62. We are now in the process of obtaining the balance which should be forthcoming very shortly.



UNITED AIR LINES
CHICAGO ILLINOIS 60666
RAPID AIRBILL
NON NEGOTIABLE

016- 7174635

DECLARED VALUE $510.00

Lectra Products Company
6855 W. 56th Avenue
Arvada, Colorado 80002

Hakuto Company, Ltd.
Post Office Box 25
Tokyo Central, Japan

X

4 Cartons Metal Clips 85#

P.O.#01049 - Lectra Inv.#2600
100,000 #510Q Springs

C.O.D.

TR-30

BOOKED BY: GJB

STATES STEAMSHIP COMPANY

BOOKING MEMO

DATE BOOKED: May 13, 1969

FROM: Denver - Ex Seattle

TO: Yokohama

S.S.: ARIZONA V-33

VOYAGE: # 33

DESTINATION: Yokohama

SHIPPER: LECTRA PROD. COMPANY

FORWARDER: Via D-C Int'l to Seattle

SUPPLIER: Same Lectra

OVERLAND/LOCAL: Motor

POINT OF ORIGIN: Denver

LOADING BERTH: Seattle

BLADING FROM: Seattle

BLADING TO: Tokyo

EXDEC FROM: Denver

QUANTITY	COMMODITY	WEIGHT	MEAS.
Sixteen (16) Cartons # 5100 Spring Fasteners		800#	10x10x8½ cc

CONSIGNED TO: HAKUYO COMPANY LIMITED TOKYO CENTRAL JAPAN

On Board Bills of Lading required by shipper. Shipper handling own documents

Address of Shipper: Lectra Products Company 6855 West 56th Avenue Arvada, 80002

FOR FURTHER INFORMATION CONTACT:

Mrs. Stanley at above address

REMARKS

STRAIGHT BILL OF LADING — SHORT FORM — Not Negotiable—ORIGINAL

BC INTERNATIONAL, INC.
GENERAL OFFICES: DENVER, COLORADO 80216

FROM	Lectra Products Company	SHIPPER'S NUMBER 304121
ADDRESS	6855 W. 56th Avenue Arvada, Colorado 80002	DATE 5-14-69 19__

RECEIVED, subject to the classifications and tariffs in effect on the date of the issue of this Bill of Lading.

CONSIGNED TO States Steamship Line

DESTINATION (STREET)	CITY	COUNTY	STATE
Pier 20 .	Seattle,		Washington

FINAL DESTINATION: to Hakuto Co. Ltd. P.O.Box 25 Tokyo Central, Japan

DELIVERING CARRIER

VEHICLE OR CAR INITIALS

NUMBER PACKAGES	KIND OF PACKAGE, DESCRIPTION OF ARTICLES, SPECIAL MARKS AND EXCEPTIONS	*WEIGHT (SUBJECT TO CORRECTION)	FOR CARRIER USE ONLY RATE	FOR CARRIER USE ONLY EXTENSION
16	Metal Clips	3424		
	Inv #49-14951			
	Trailer # 8038			
	P.O.#91049 - Lectra Inv.#2895			
	400,000 #5100 Springs			

Subject to Section 7 of conditions, if this shipment is to be delivered to consignee without recourse on the consignor, the consignor shall sign the following statement:
The carrier shall not make delivery of this shipment without payment of freight and all other lawful charges.

(Signature of Consignor)
If charges are to be prepaid, write or stamp here, "To be Prepaid."

To Be "PREPA

Received $ _____ to apply in prepayment of the charges on the property described hereon.

AGENT OR CASHIER

Per _____ (The signature here acknowledges the amount prepaid.)

THE AGREED OR DECLARED VALUE OF THE PROPERTY IS HEREBY SPECIFICALLY STATED BY THE SHIPPER TO BE NOT EXCEEDING $2190.00 PER

TOTAL

C.O.D.

REMIT C.O.D. TO

SHIPPER Lectra Products Co. (Don) PER

C.O.D. FEE TO BE PAID BY: SHIPPER ☐ CONSIGNEE ☐

C.O.D. FEE

AGENT

PERMANENT POST-OFFICE ADDRESS OF SHIPPER 6855 W. 56th Ave. Arvada, Colo.

TOTAL CHARGES

If the shipment moves between two ports by a carrier by water, the law requires that the bill of lading shall state whether it is "carrier's or shipper's weight."

NOTE—Where the rate is dependent on value, shippers are required to state specifically in writing the agreed or declared value of the property.

FIRST NATIONAL CITY BANK

ESTABLISHED 1812

CABLE ADDRESS "CITIBANK"

TOKYO, JAPAN May 17, 1969

CORRESPONDENT'S IRREVOCABLE STRAIGHT CREDIT

Lectra Products Co.
6855 West 56th Street Avenue
Arvada, Colorado 80002
U.S.A

F·N·C·B US$2750■00

ALL DRAFTS DRAWN HEREUNDER MUST BE MARKED:
DRAWN AS PER OUR ADVICE NO. 51776

DEAR SIRS:

WE ARE INSTRUCTED BY The Sumitomo Bank, Ltd., Tokyo • Tokyo
TO ADVISE YOU THAT THEY HAVE OPENED THEIR IRREVOCABLE CREDIT NO. GJ-86417 IN YOUR FAVOR
FOR ACCOUNT OF Hakuto Co., Ltd., Toranomon-Sangyo Bldg., 1, Kotohira-cho, Shiba, Minato-k
FOR A SUM OR SUMS NOT EXCEEDING A TOTAL OF U.S. Dollars Two Thousand Seven Hundred Fifty only

AVAILABLE BY YOUR DRAFTS AT 120 days SIGHT FOR FULL INVOICE COST ON:

111 WALL STREET, NEW YORK, N.Y.

FIRST NATIONAL CITY BANK, [redacted]

TO BE ACCOMPANIED BY:

FULL SET OF CLEAN ON BOARD OCEAN BILLS OF LADING, FREIGHT collect DRAWN TO THE ORDER OF SHIPPER AND BLANK ENDORSED, NOTIFY Hakuto Co., Ltd., Tokyo EVIDENCING SHIPMENT FROM U.S.A. port to Yokohama.

Air waybills, freight collect, consigned to The Sumitomo Bank, Ltd., Shimbashi Branch, Tokyo, notify Hakuto Co., Ltd., Tokyo, evidencing shipment from U.S.A. airport to Tokyo airport.

Signed commercial invoice in quintuplicate, indicating Import Licence No. IL(9-AA)0(11)-01414 and accountee's P.O. No. 91049 and stating that it covers: 500,000 pcs. of Spring No. 5100, F.O.B., of which [redacted] 400,000 pieces to be shipped via Ocean freight and [redacted] 100,000 pieces via air freight. Invoice must also indicate that the commodities covered therein are made in U.S.A.

Packing list in quintuplicate.

Discount charge is for buyer's account.

**

**

**

**

**

PARTIAL SHIPMENT(S) permitted. TRANSSHIPMENT permitted.

SHIPMENT(S) MUST BE EFFECTED NOT LATER THAN July 20, 1969.

THIS ADVICE IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1962 REVISION), INTERNATIONAL CHAMBER OF COMMERCE BROCHURE NO. 222.

THE ABOVE MENTIONED CORRESPONDENT ENGAGES WITH YOU THAT ALL DRAFTS DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS CREDIT WILL BE DULY HONORED ON DELIVERY OF DOCUMENTS AS SPECIFIED IF PRESENTED TO THE DRAWEE ON OR BEFORE July 31, 1969.

THIS LETTER IS SOLELY AN ADVICE OF A CREDIT OPENED BY THE ABOVE MENTIONED CORRESPONDENT AND CONVEYS NO ENGAGEMENT BY US AND THE DRAWEE.

YOURS VERY TRULY,

AUTHORIZED SIGNATURE

FORM 336 P. T. 146

Lectra Products Co.

6355 W. 58th Avenue
ARVADA, COLORADO 80002

OFFICE COPY

INVOICE

SOLD TO:
Hakelo Company, Ltd.
Post Office Box 25
Tokyo Central, Japan

INVOICE DATE	YOUR ORDER NO.	SHIPPED VIA	F.O.B.	PKG. PACK	NET
5-13-69	01040	Air Freight	Denver	4	

QUANTITY	DESCRIPTION	PRICE PER M	TOTAL
100,000	#5100 Springs	5.50	550.00

"MADE IN USA"

Air Freight - Receipt #016-5171015

Lectra Products Co.
Betty J. Stanley

Lectra Products Co.
[illegible] W. 56th Avenue
[illegible] ARVADA, COLORADO 80002

PASTENING DIVISION

OFFICE COPY

INVOICE 269

SOLD TO
Hakuto Company, Ltd.
Post Office Box 25
Tokyo Central, Japan

THESE GOODS HAVE BEEN PRODUCED IN ACCORDANCE W[illegible] THE FAIR LABOR ACT OF 1938 AS AMENDED

INVOICE DATE	YOUR ORDER NO.	SHIPPED VIA	F.O.B.	PRO. TAGS	TERMS
5-14-69	01049	Denver-Chicago	Denver	16	NET - 30 DAY

QUANTITY	DESCRIPTION	PRICE PER M	TOTAL
800,000	#5100 Springs	5.50	$2200.00
	Freight Chgs.		20.62
	TOTAL		$2220.62
	MADE IN U.S.A.		

Lectra Products Co
Betty J. Stanley

STATES LINE

STATES STEAMSHIP COMPANY

Serving All Pacific Coast Ports, Hawaii and the Far East

220 CALIFORNIA STREET • SAN FRANCISCO • CALIFORNIA 94104

EXPORT DEC. NO.

BILL OF LADING

SHIPPER
ECTRA PRODUCT CO., 6855 WEST 5th AVE. ARVADA, COLORADO 80002

CONSIGNEE
ASUTO COMPANY LTD., TOKYO CENTRAL, KAPAN

ADDRESS ARRIVAL NOTICE TO
NE

ALSO NOTIFY

VESSEL: E. ARIZONA | VOYAGE NO.: 33 WB | FLAG: US

PIER: 20 | PORT OF LOADING: SEATTLE

PORT OF DISCHARGE: TOKUMAKA

FOR TRANSSHIPMENT TO

MARKS AND NUMBERS	NO. OF PKGS.	DESCRIPTION OF PACKAGES AND GOODS PARTICULARS FURNISHED BY SHIPPER	MEASUREMENT	SAID TO WEIGH
ASUTO COMPANY LTD. C. BOX 25 TOKYO CENTRAL, KAPAN	16	CARYONS SPRING FASTENERS	8	342 (55 KGS.)

NON-NEGOTIABLE

ACCEPTING THIS BILL OF LADING. The Shipper, consignee, pledgee, holder or endorsee of this bill of lading, owner of the goods and each of them agree that all freight engagements, dock re... agreements whatsoever in respect to the shipment of the goods are superseded by this bill of lading, agree to be bound by all its terms whether written, typed, printed or stamped on the front of ... or incorporated by reference herein, any local customs or privileges to the contrary notwithstanding, and agree that this bill of lading shall have the effect of a special contract. If requested, one signed bill of lading duly endorsed must be surrendered to the agent of the ship at the port of discharge in exchange for delivery order.

...e Commodities Licensed by U.S. for Ultimate Destination

Diversion Contrary to U.S. Law Pro...

OCEAN FREIGHT CHARGED ON	ITEM	RATE	PER	PREPAID	COLLECT
	1374	29.50	MIN	29.50	
...CHY DECLARATION FILING FEE				5.00	
...RFAGE					
...OLING					
TOTAL CHARGES—				35.00	

IN WITNESS WHEREOF, there have been executed ... Bills of Lading, exclusive of non-negotiable copies, all of the same ... and date, one of which being accomplished, the others to stand voi...

Dated at ... 19...

This is a SHIPPED on BOARD Bill of Lading When Validated

5-10-69

STATES STEAMSHIP COMPA...

By

B/L NUMBER

6

PRINTED IN ...

HAKUTO CO., LTD.

IMPORTERS, EXPORTERS & MANUFACTURERS
REPRESENTATIVE

EXPRESS

June 14, 1969
Lectra Products Co.,
Fastening Devices
6855 West 56th Avenue
Arvade, Colorado 80002

Attn.: Mr. Wray C. Hansen

Re: Our Purchase Order No. 91049 of May 7, 1969
Your Invoice No. 2690 of May 13, 1969
#5100 Springs

Dear Mr. Hansen:

In reference to the subject, we are pleased advise you that the shipped 100,000 springs arrived at Tokyo Airport on May 21, 1969. We are, however, being still obliged to be refrained from entering clearance of the shipment through our customs.

In covering of the whole of the purchase order, we had established a letter of credit No. G/J-86417 in your favor through the First National City Bank and hope that you have negotiated it for this partial shipment.

If negotiated, you must have drawn a draft and presented it with the other shipping documents required in the letter of credit to the bankers concerned on your part. You must have then cashed the draft and it must have been arranged by the bankers to be presented us to honor.

On this understanding, we have been waiting for the draft and documents through the bankers but have received no notice so far on the arrival of these from the relative bankers on our side.

For shipments based on letter of credit settlements, we have first to fulfill these procedures with bankers and then can take steps for clearances of the shipments through our customs. For this reason, we cannot still proceed to the customs and receive the above 100,000 springs through them.

HAKUTO CO., LTD.

P. O. BOX 25
TOKYO CENTRAL
JAPAN

June 14, 1969
Lectra Products Co.,
Fastening Devices

Attn: Mr. Wray C. Hansen

If you have not yet negotiated the letter of credit, please do it in the amount of $550.– at your earliest. As it expires on July 31, 1969 and allows your partial negotiations, we trust that you will have no difficulties in its smooth negotiations.

Will you please be sure to confirm us by return if you have negotiated or are negotiating the letter of credit for this effected shipment. We are in urgent need of these springs, and may be able to arrange for a special customs clearance if you can kindly answer the questioned status and inform us of the finalized amount of the invoice by immediate cable.

As for the springs remaining on the order, we must come through the procedures same as above to receive and settle them with you. We hope that you can please finish all of your shipments and negotiate the letter of credit for these within its expiring date.

We imagine that you will well know about this method of settlement by letters of credit. If any further information is needed, please feel free to let us know by return.

May we look forward to your soonest possible reactions.

Yours very truly,
HAKUTO CO., LTD.

/s/ T. Koshiyama
T. KOSHIYAMA, Manager
Sales Administrative Dept.

TK/aw
cc: Our First Electronics Dept.

THE FIRST NATIONAL BANK OF DENVER

Denver, Colorado

To: First National City Bank
111 Wall Street
New York, N.Y. 10015

International Division
Collection No. CF 1996

Date June 27, 1969

Amount $2,770.62

We hand you for collection the following: 5.50 Our chgs.

$2,776.12
Due 120 days after sight

Item: Draft

Dated 6/27/69

Drawn On:
Yourselves under your Tokyo Branch Advice #51776 & Sumitomo Bank, Ltd., Tokyo L/C GJ-86417

Drawn by:
Lectra Products Co.
6855 West 56th Ave.
Arvada, Colorado 80002

Documents attached:

B/L	Com'l Invoice	Consular Invoice	Packing List	Insurance	Cert. of Origin	Other Documents
3/3	2 Sets		2 Sets			
	5/5		5/5			1/1 Air Waybill
						Original Letter of Cedit

Deliver Documents Against Acceptance

Advise Non-Payment By Bankwire Do Not Protest

Payment to: Our International Division by credit our A/C with you under bankwire advice

In case of need or difficulty, kindly contact:
Ralph B. Norris, Asst. Cashier or E. Edwards, Asst. Vice Pres.

Special instructions: our customer, Lectra Products, shipped the merchandise prior to receiving the L/C, & the

pring fasteners are now in Japan & Hakuto Co. can't pick t up without the document we note the following dis-repancies: air waybill improperly drawn. Import license No. missing on invoice. Markings missing on invoices & packing list. B/L drawn improperly & frt. prepaid instead of collect. Credit overdrawn by $20.62.

FIRST NATIONAL CITY BANK

111 WALL STREET, NEW YORK, N.Y. 10015

DATE
7/18/69

OUR REFERENCE
CCFB 880966

YOUR REFERENCE | DRAFT AMOUNT
51776 | $2770.62

MAIL TO
LECTRA PRODUCTS CO.
6855 WEST 56TH AVENUE
ARVADA, COLORADO 80002

Gentlemen,

Will you please advise us by AIR MAIL if we may honor the draft drawn under the above captioned credit but dishonored because of the following irregularities:

1. BILLS OF LADING INCORRECTLY CONSIGNED.
2. BILLS OF LADING MARKED FREIGHT PREPAID.
3. ⅓ ORIGINAL BILL OF LADING MISSING.
4. INVOICES LACK IMPORT LICENSE NUMBER.
5. CREDIT OVERDRAWN BY $20.62.

NOTE: WE ARE ADVISED SHIPMENT WAS EFFECTED PRIOR TO RECEIPT OF THE LETTER OF CREDIT. PLEASE REPLY BY *CABLE*.

DOCUMENTS ATTACHED.

The duplicates, if any, are being air mailed to you by subsequent mail. If you are unable to authorize us to honor the drawing, kindly hold all the documents at our disposal and cable us immediately for further instructions.

If you authorize us to honor the drawing, our commission and postage expenses, if any, will be charged in addition to the above amount.

COMMERCIAL CREDIT DEPARTMENT

1528

SDVR 6
NNATB 1 07/09 1009 07/09 1010 07/09 1009 E
THE FIRST NATL BANK P O BOX 5808 DENVER COLORADO

ATTENTION RALPH B NORRIS ASST CASHIER RE YOUR CF 1996 OUR 880966 LECTRA PRODUCTS DOCUMENTS 2,770.62 NOT HONORED DUE DISCREPANCY STATED YOURLET AND ONE ORIGINAL BLADING MISSING AND BLADING INCORRECTLY CONSIGNED TO BUYERS STOP ADVISE URGENTLY DISPOSITION ATTN BELHADJALI CCF

PZ
FIRST NAT CITY BK NYC

f) *Marketing, Advertising and Public Relations*

Applicant, in its application to become a Registered Bank Holding Company, stated that it would "initiate and assume responsibility for a concentrated and detailed joint advertising program." This is presently being done under the supervision of a senior vice president of First National, utilizing the agency employed by Applicant and its subsidiaries. If this application is approved, Greeley would have the benefit of this service and other appropriate services to be initiated in the future. Advertising Greeley's services to a greater extent will benefit the community to the extent that the new, improved and expanded services are known to the community as a whole and Greeley's customers in particular. Greeley's "public relations" department is at present essentially a one-man operation (and not full time at that) and is considered by Greeley's management to be inadequate.

Applicant believes that improvement in this area will benefit Greeley competitively, and hasten its ability to put into effect the changes contemplated should this application be approved.

(g) *Improved management training and replacement programs-personnel*

In Applicant's opinion Greeley is much in need of a management training and replacement program. At present, there are 18 officers in the Bank, most of whom are Loan Officers. Greeley's management does not have any program of training or developing in a systematic way, to take care of future needs of retirement, growth, death or termination. At present they work through Correspondent Banks or advertise in a National publication for experienced Bank Officer Personnel as replacements.

First National Bank of Denver will provide substantial assistance through its college program as follows:

A. It actively recruits on campuses, through Placement Agencies and by direct inquiry for college graduates.

B. It has a formalized program with eight months intensive training including job rotation through six major operating units, classroom seminars conducted by the training director, other Bank Officers and out-

side specialists such as University Professors, Consultants, etc.

C. A 16-month specialized training program that relates directly to the area of interest such as Commercial Loans, Correspondent Banks, Real Estate, Operations or Personnel. Trust Trainees are assigned directly to the Trust Department. Classroom instruction is continued during this period.

Additionally, First National has a great many more contacts with placement agencies (on a national level) than does Greeley so that it can materially assist in recruiting experienced Bank Officers when necessary.

There are several other areas that First National's larger more specialized Personnel Department can and will be of assistance as follows:

A. It can provide formal supervisory training programs.
B. Materially assist Greeley in fully complying with Civil Rights Act of 1964 since they have a staff of more than 50 employees.

The primary areas summarized as follows:

A. Management Training
B. Recruiting experienced officer personnel.
C. Supervisory Training
D. Compliance Civil Rights Act of 1964

Extent to which changes are contemplated in present banking hours, parking facilities, or other convenience factors.

Applicant has no present plans, nor does Greeley at present contemplate any changes in banking hours or parking facilities. Greeley considers its banking hours to be adequate to meet the convenience and needs of its present and prospective customers and to serve the community. Of course, should it become desirable or necessary to effect changes in this regard, Applicant has no doubt but that the management of Greeley will immediately initiate the necessary changes. As far as parking is concerned, Greeley has at the present time adjacent to the bank very suitable and convenient parking facilities, and it does not appear that any changes in this respect will become necessary in the

near future. Banking quarters having been just recently improved are considered very good by both Greeley and Applicant. Should the need arise in the future for a further expansion of its banking quarters, Greeley will be able to look to Applicant for additional capital if this appears necessary or desirable.

5. *Extent to which present or proposed services are currently being provided by banks now competing in the community.*

Appendix A sets forth in considerable detail the extent to which present or proposed services are currently being approved by banks now competing in the community to Applicant's best knowledge. In Applicant's opinion, only Weld County Bank, as a subsidiary of Denver U.S. Bancorporation, *should* be able eventually to provide the services which Greeley could and will provide if this application is approved. Greeley National Bank, the largest bank in Greeley, can provide all services other than those which are peculiar to a subsidiary of a Registered Bank Holding Company which has as its principal subsidiary a major Denver bank. The Cache National Bank and West Greeley National Bank are affiliates of Greeley National Bank and because of their size are unable to provide all the services of the larger banks. Neither of these two banks, as well as the State Bank of Greeley (converted in 1965 from an industrial bank), and The Eaton Bank, at Eaton, Colorado, and The South Platte National Bank at LaSalle, Colorado (each a competing bank) have trust departments and none of them, because of their size, are able to provide banking services to the same extent as the larger banks. However, it should be noted that all the above-mentioned banks have shown varying degrees of growth over the last few years.

Once again, from all of the above discussion, Applicant feels certain that the community in *all* its economic aspects can look forward to a substantial growth—and in the immediate future. As a result Applicant believes that approval of this application will *substantially* benefit the needs and convenience of the community, make it more possible, together with all other competing banks, to meet the demand for services and credit that now exists and will in the future exist, and provide it with sound and strong banking alternatives.

APPENDIX A—to EXHIBIT F

Comparison of Existing Services Offered by First National, Greeley and Competing Banks.

F—Full Service
L—Limited Service
N—No Service
C—Correspondent
N.A.—Information Not Available

Service	First National			Greeley			One or More Competing Banks		
	F	L	N	F	L	N	F	L	N
Individuals—Banking									
1. Aircraft Loans—Instalment	x				x				x
2. Appliance Loans—Instalment	x			x			x		
3. Automatic Savings Plan	x			x			x		
4. Automobile Loans—Instalment	x			x			x		
5. Bank-by-Mail	x			x			x		
6. Blue Ribbon (5% Savings Passbook)	x					x	x		
7. Checking Accounts—Regular and Special	x			x			x		
8. Christmas Club	x			x			x		
9. Dividend Collection	x				x				x
10. Foreign Remittances	x				x				x
11. Home Furnishing Loans	x			x			x		
12. Home Improvement Loans—F.H.A.—Title 1.	x			x			x		
13. Home Improvement Loans—Other	x					x			x
14. Home Mortgage Loans—Conventional	x				x		x		
15. Home Mortgage Loans—F.H.A.—V.A.	x					x	x		
16. Insurance Premium Financing	x			x					x
17. Investment Time Certificates	x					x	x		
18. Mobile Home Financing—Direct	x					x			x
19. Personal Loans—Collateral	x			x			x		
20. Personal Loans—Instalment	x			x			x		
21. Personal Bank Money Orders	x			x			x		
22. Retail Charge Plan	x			x			x		
23. RevolvAccount (Revolving Instalment Credit)	x					x	x		
24. Safe Deposit	x			x			x		
25. Safekeeping Accounts	x				x				x

APPENDIX A—to EXHIBIT F

Comparison of Existing Services Offered by First National, Greeley and Competing Banks.

F—Full Service
L—Limited Service
N—No Service
C—Correspondent
N.A.—Information Not Available

Service	First National F	L	N	Greeley F	L	N	One or More Competing Banks F	L	N
26. Savings Accounts	x			x			x		
27. Traveler's Checks	x			x			x		
	27	0	0	16	5	6	20	7	0
Corporate Banking									
1. Accounts Receivable Loans	x			x			x		
2. Accounts Reconciliation	x					x			x
3. Cash Letter Service for Correspondent Banks	x				x		x		
4. Certificates of Deposit	x			x			x		
5. Commercial Checking Accounts	x			x			x		
6. Commercial Loans—Unsecured	x			x			x		
7. Commercial Paper Purchases, Custody and Collections	x				x			x	
8. Conventional Construction Mortgage Loans	x				x		x		
9. Correspondent Banks	x				x			x	
10. Coupon and Bond Collection	x			x			x		
11. Customer Payroll Service	x					x		x	
12. Domestic Collection	x			x			x		
13. Draft Plans—Freight, Ins. Agents, etc.	x					x			x
14. F.H.A. Insured Construction Loans	x					x		x	
15. Floor Plan Loans	x				x			x	
16. Indirect Boat, Trailer and Motor Financing	x					x		x	
17. Indirect Lease Financing	x					x		x	
18. Indirect Mobile Home Financng	x					x		x	
19. Industry Specialists—Transportation, Oil, Finance, etc.	x					x			x
20. Insurance Premium Collection	x					x			x
21. Inventory Loans (Field Warehousing, etc.)	x				x			x	
22. Machinery and Equipment Loans (Instalment, Direct and Indirect)	x			x				x	

APPENDIX A—to EXHIBIT F

Comparison of Existing Services Offered by First National, Greeley and Competing Banks.

F—Full Service
L—Limited Service
N—No Service
C—Correspondent
N.A.—Information Not Available

Service	First National			Greeley			One or More Competing Banks		
	F	L	N	F	L	N	F	L	N
23. Money Transfer—Include Bank Wire	x				C			C	
24. Mortgage Loans—Conventional and Gov't. backed	x				x			x	
25. One Check Payroll Plans	x				x			x	
26. Payroll Accounts	x			x			x		
27. Post Office Box Plant (lock box)	x				x			x	
28. Revolving Credit Loans	x			x			x		
29. Safekeeping	x			x			x		
30. Secured Loans (B/R's, Collections, Trust Receipts, etc.)	x			x			x		
31. Securities Clearance Facilities	x					x			N.A.
32. Term Loans	x				x			x	
	32	0	0	11	11	10	11	16	4
International Banking Services									
1. Acceptance Financing	x					x			x
2. Advances Against Collections	x					x			x
3. Commercial Letters of Credit	x				C			C	
4. Export Credit Insurance and Guarantees	x				C			C	
5. Foreign Collections	x				C			C	
6. Foreign Correspondents	x					x			x
7. Foreign Credit Information and Investigation	x					x			x
8. Foreign Exchange—Purchase and Sale	x				C			C	
9. Foreign Remittance and Draft Service	x				C			C	
10. Foreign Trade Specialists	x					x			x
11. Forward Exchange Contracts	x					x			x
12. Letters of Introduction	x				x			x	
13. Traveler's Checks	x			x			x		
14. Traveler's Letters of Credit	x				x			x	
	14	0	0	1	7	6	1	7	6

APPENDIX A—to EXHIBIT F

Comparison of Existing Services Offered by First National, Greeley and Competing Banks.

F—Full Service
L—Limited Service
N—No Service
C—Correspondent
N.A.—Information Not Available

Service	First National			Greeley			One or More Competing Banks		
	F	L	N	F	L	N	F	L	N
Personal Trust Services									
1. Administration of Estates	x			x			x		
2. Agent for Individual Acting as Executor or Trustee	x			x			x		
3. Committee of Property for Incompetents	x			x			x		
4. Estate Planning	x			x			x		
5. Executor (co-executor under wills)	x			x			x		
6. Financial Planning	x				x			x	
7. Guardian of Property of Minors	x			x			x		
8. Investment Advisory Service	x				x				x
9. Investment Information	x				x				x
10. Tax Consultation	x				x			x	
11. Trustee (co-trustee) under Life Insurance Trusts	x			x			x		
12. Trustee (co-trustee) under Living Trusts	x			x			x		
13. Trustee (co-trustee) under Wills	x			x			x		
14. Trustee of Business Insurance Trusts	x			x			x		
	14	0	0	10	4	0	10	2	2
Pension Trust Service									
1. Agent for Individual as Trustees for Profit Sharing Plans	x				x			x	
2. Specialized Employee Health and Welfare Services—Profit Sharing Trusts	x					x			x
3. Trustee for Employee Savings Plans	x					x			x
4. Trustee for Employee Stock Purchase Plans	x					x			x
5. Trustee for Individual Self-employed Retirement Plans	x			x			x		
6. Trustee for Pension Plans	x			x			x		
7. Trustee for Profit Sharing Plans	x			x			x		
	7	0	0	3	1	3	3	1	3

APPENDIX A—to EXHIBIT F

mparison of Existing Services Offered by First National, Greeley and peting Banks.

F—Full Service
L—Limited Service
N—No Service
C—Correspondent
N.A.—Information Not Available

	First National			Greeley			One or More Competing Banks		
	F	L	N	F	L	N	F	L	N
CE									
Corporate Trust and Finance ervices									
Bond and Coupon Cremation, Audit and Paying Service for Municipalities and Corporations	x					x			x
Depository for Securities under Reorg.	x					x			x
inancial Planning	x					x			x
iscal Agency	x				x			x	
ergers and Acquisitions	x					x			x
aying Agent—Bonds and Coupons	x			x			x		
rustee for Bond and/or Debenture Issues	x				x			x	
	7	0	0	1	2	4	1	2	4
rporate Agency Service									
gent for Deposit of Stock and Acceptances of Tenders	x					x			x
gent of Voting Trustees	x					x			x
gent to Microfilm and Cremate Cancelled Stock Certificates	x					x			x
nversion Agent	x					x			x
epositary for Stock Under Plans of Recapitalization	x					x			x
ividend Disbursing Agent (cash or stock)	x					x			x
scrow Agent	x					x			x
xchange Agent	x					x			x
spections of Elections at Stockholder Meetings	x					x			x
utual Funds (Dividend disbursing Agent, Fund Bookkeeping and Pricing, Processing of Plan Accounts, and Transfer Agent)	x					x			x

APPENDIX A—4o EXHIBIT F

Comparison of Existing Services Offered by First National, Greeley and Competing Banks.

F—Full Service
L—Limited Service
N—No Service
C—Correspondent
N.A.—Information Not Available

Service	First National F	L	N	Greeley F	L	N	One or More Competing Banks F	L	N
11. Proxy Tabulation Agent	x					x			x
12. Redemption Agent	x					x			x
13. Registrar	x					x			x
14. Script Agent (Including Purchase and Sale of fractional Shares for Stockholder's Accounts)	x					x			x
15. Stock Distribution Agent	x					x			x
16. Subscription Agent (Including Purchase and Sale of Rights for Stockholder's Accounts)	x					x			x
17. Transfer Agent	x				x				x
18. Warrant Agent	x					x			x
	18	0	0	0	1	17	0	0	18
Miscellaneous Services									
1. Bond Portfolio Analysis	x					x		x	
2. Certificates of Deposit—Negotiable	x			x			x		
3. Credit Department—Investigations, Analysis and Files	x				x			x	
4. Data Transmission	x					x			x
5. Deposit Accounting for Correspondent Banks	x					x			N.A.
6. Escrow Agent	x				x			x	
7. F.H.A. Insured Special Project Loans (e.g. Nursing Homes, Senior Citizen's Homes, Apartment Houses, etc.)	x					x		x	
8. Federal Funds Transactions	x					x			x
9. Future Marketing of G.N.M.A. Mortgage-backed Securities	x					x			N.A.
10. Municipal Bond Consultation Service	x					x			x
11. Municipal Bond Underwriter and Dealer	x					x			x
12. Night Depository	x			x			x		

APPENDIX A—to EXHIBIT P

Comparison of Existing Services Offered by First National, Greeley and Competing Banks.

P—Full Service
L—Limited Service
N—No Service
C—Correspondent
N.A.—Information Not Available

	First National			Greeley			One or More Competing Banks		
	P	L	N	P	L	N	P	L	N
SERVICE									
13. Real Estate Investment Counseling	x					x	x		
14. Record Account—Personal and Business	x					x			x
15. Savings Bonds—Sales and Redemptions	x			x			x		
16. Stock Transfer and Registrar by Bank Wire	x					x			x
17. Time Deposits—Open Account	x				x			x	
18. Treasury Tax and Loan Depository	x			x			x		
	18	0	0	4	3	11	5	5	6
TOTAL	137	0	0	46	34	57	51	40	43

EXHIBIT G

COMPETITIVE SITUATION

As of December 31, 1968, the ten largest *UNIT BANKS* in Colorado, their respective deposits and percentage of total deposits in Colorado were as follows: (Information taken from Polk's World Bank Directory.)

Name	Deposits	% of Total Deposits in Colorado ($3,857,761,820)
1. The First Nat'l Bank of Denver	$ 550,248,825	14.26
2. Denver U. S. Nat'l Bank	487,805,000	12.64
3. Colorado Nat'l Bank	281,219,676	7.29
4. Central Bank & Trust Co.	216,616,370	5.62
5. American Nat'l Bank	123,553,984	3.20
6. The First Nat'l Bank of Colo. Springs	92,628,047	2.40
7. The First Nat'l Bank of Boulder	58,669,926	1.52
8. The First Nat'l Bank of Pueblo	57,280,902	1.49
9. The Exchange Nat'l Bank—Colo. Springs	51,753,339	1.34
10. The First Nat'l Bank of Englewood	50,400,898	1.31
Total	$1,970,276,967	51.07

As of December 31, 1968, the ten largest *BANKING ORGANIZATIONS* in Colorado, their respective deposits, and percentage of total deposits in this area are as follows: (Information taken from Polk's World Bank Directory.)

1. Applicant	$ 568,986,244	14.75
2. Denver U. S. Bancorporation	557,049,973	14.44
*3. Colorado CNB Bankshares	300,458,056	7.79
4. Affiliated Bankshares of Colorado	245,971,958	6.38
5. Central Bank & Trust Co.	216,616,370	5.62
6. Western Bancorporation	202,224,577	5.24
7. First Colorado Bankshares	133,121,308	3.45
8. The First Nat'l Bank of Pueblo	57,280,902	1.49
9. Exchange Nat'l Bank—Colo. Springs	51,753,339	1.34
10. Jefferson County Bank of Lakewood	44,382,038	1.15
Total	$2,377,944,765	61.65

* Includes Lakewood National Bank if approved.

As of December 31, 1968, the percentage of total deposits in the state of Colorado held by Registered Bank Holding Companies was as follows: (Information taken from Polk's World Bank Directory.)

1. Denver U. S. Bancorporation	$ 600,327,585	15.56
2. Applicant	568,986,244	14.75
3. Colorado CNB Bankshares	300,458,056	7.79
4. Affiliated Bankshares of Colorado	245,971,958	6.37
5. Western Bancorporation	202,224,577	5.24
6. First Colorado Bankshares	133,121,308	3.45
Total	$2,051,089,728	53.16

* Includes Poudre Valley National Bank of Ft. Collins and Arkansas Valley nk of Pueblo (which have been approved by the Board).

** Includes Lakewood National Bank—application pending.

*** Assuming approval of application filed to become a Registered Bank ding Company.

If this application is approved, Applicant's percentage deposits within the state of Colorado will be increased .95 percentage points to 15.70%.

Approval of Applicant's proposal would increase Registered Bank Holding Company control of individual banks ncluding those acquisitions approved and proposed referred to previously) by .4 percentage points from 16.3% 16.7%.

From the above statistical information, it is readily pparent that approval of this application would *not* create r tend to create a monopoly or be in furtherance of any ombination or conspiracy to monopolize the business of anking in Colorado, nor in any part of the United States.

As shown above, approval of this application would increase Applicant's percentage of deposits within Colorado y only .95 percentage points to 15.70%. Further, Applicant cannot be considered a large bank holding company, ven with the addition of Greeley, since its subsidiary First ational would still constitute such an enormous percentage f total deposits controlled by Applicant. Also, as is shown lsewhere, Greeley is not the largest bank in the city of reeley, Greeley National Bank alone, and, of course, with ts affiliates, being larger. As pointed out below in this Exhibit G there is no significant overlap of deposits or oans between Greeley and any of Applicant's subsidiaries. With the growth, in Applicant's opinion, assured in Greeley's service area (See Exhibit F-6 above) and with all competing banks showing growth, Applicant does not believe that the effect in any section of the country of the proposed acquisition would be to lessen competition, create a monopoly or in any other manner be in restraint of trade.

1. *Judgment of Bank's officers as to Bank's approximate service area, the actual or estimated population of such area, and an explanation of the basis for such a service area delineation.*

Greeley's Primary Service Area, that area within which approximately 80% of Greeley's I. P. C. Demand, Savings, and Time deposits originate, and within which in excess of 75% of Greeley's loans originate, is more particularly described as follows: Commencing at Eaton, Colorado, located 7 miles north of the city of Greeley, extending in a southeasterly direction approximately 15 miles to the community of Gill, Colorado, thence in a southwesterly direction approximately 23 miles to the community of Platteville, Colorado, thence in a north-northeasterly direction returning to the original point. (This area is delineated in blue on Exhibit G-1 attached.) The communities located within this area, in addition to the city of Greeley, include Eaton, Gill, Kersey, Platteville, Gilcrest, Peckham, LaSalle, Evans, and Lucerne. With the exceptions of Greeley, LaSalle and Eaton, none of these communities have any banking facilities.

In addition to Greeley's Primary Service Area described above, there exists a "sphere of influence" which extends in an easterly and northeasterly direction from the city of Greeley proper, and covers an area of Weld County large in size but sparsely populated. Such "sphere of influence" is delineated on Exhibit G-1 by blue dotted lines. Because of the size of Weld County (approximately 4,000 square miles) and as the city of Greeley is the county seat, it is reasonable to assume that livestock and agricultural business in particular insofar as banking requirements are concerned would trend toward the city of Greeley from the "sphere of influence" as outlined. Also, because the city of Greeley is the county seat of Weld County, a certain amount of banking business situated in the northern and western sections of Weld County would also trend toward the city of Greeley.

Greeley's Primary Service Area was determined by counting the number of loans and I. P. C. accounts and determining the dollar amount of same, whose mailing addresses were those listed in the communities previously mentioned. In a rural area, these addresses include various rural routes and through discussion by Greeley's officers

with the postal authorities the boundaries were determined to the extent possible to be those indicated on Exhibit G-1.

The population of Greeley's Primary Service Area is estimated to be approximately 46,000 persons. The Bureau of the Census figures as of 1960 were developed through the use of various census Districts within Weld County, and with the exception of the city of Greeley itself, these Districts include rural areas as well as certain communities within set Districts making accurate population estimates within Greeley's Primary Service Area extremely difficult. Based upon a census of the city of Greeley taken at the request of the Greeley Chamber of Commerce in the summer of 1968, the city of Greeley had an estimated population of 37,000 persons excluding 8,500 students located at Colorado State College. To this figure was added estimates of current population made by Division of Accounts and Control, State of Colorado Budget Office for the communities other than Greeley located within Greeley's Primary Service Area. In addition, an estimated density factor was applied to the rural section of Greeley's Primary Service Area based upon the 1960 census District figures resulting in an estimated total population within Greeley's Primary Service Area of approximately 46,000 persons.

2. *The estimated proportions of:*

(a) *Bank's IPC demand, savings, and time deposits which originate in the service area of each of Applicant's subsidiary banks, or of Applicant, if it is a bank;*

Upon analysis of Greeley's I. P. C. accounts as of March 28, 1969, it was determined that 345 accounts with balances aggregating $783,279.08 carried on the books of Greeley originate in the five-county area known as the Denver Standard Metropolitan Statistical Area, such area being considered the Primary Service Area of First National. Of the amount stated, $200,415.39 represents nineteen accounts of Denver-based companies with branch offices in the city of Greeley, Colorado. However, Greeley's total account overlap within the entire five-county area, including the above described branch office accounts, represents less than 2% of Greeley's total deposits.

Greeley's accounts described above were not further

broken down insofar as overlap may be concerned when related to Applicant's three smaller subsidiaries in that these three subsidiaries lie within the five-county area mentioned and within First National's Primary Service Area.

(b) *Bank's commercial and industrial loans, farm loans, instalment loans, commercial mortgage loans, and residential mortgage loans which originate in the service area of each of Applicant's subsidiary banks, or of Applicant if it is a bank.*

As of March 28, 1969, sixty-six loans totaling $809,117.02 as carried on Greeley's books originate within the five-county area previously described, and are considered to be within the Primary Service Area of First National. These loans constitute approximately 3% of Greeley's total outstanding loans. Included in the sixty-six loans are several large borrowers who remain with Greeley because of long-time association. These loans are more particularly described as follows:

Two loans totaling $348,263.75 to a stockholder of Greeley who resides in Longmont, Colorado (within First National's Primary Service Area) who, because of extensive holdings within Weld County, has banked with Greeley for many years.

One loan in the amount of $110,000 to a customer presently located in Commerce City, Colorado (within First National's Primary Service Area). This relationship was established when one of the borrowing firm's partners was a resident of Greeley.

The remaining sixty-three loans of instalment, commercial, and various other types located throughout First National's Primary Service Area were primarily originated when the borrower lived in the city of Greeley (and subsequently moved into First National's Primary Service Area) or banked with Greeley because of family relationships.

As in the case of account overlap described in paragraph 2.(a) of this exhibit, loans were not further broken down with relation to Applicant's three smaller subsidiaries since these are located within First National's Primary Service Area.

Name and location of each office of Bank, indicating or xplaining:

(a) *Any plans known to Applicant for a change in location, or discontinuance, of any office, giving the reasons therefor;*

None

(b) *Whether Bank has applications pending, or has received approval, for the establishment of one or more branches.*

None—Branch banking is not legal in the State of olorado.

All offices of banks that are subsidiaries of the Applicant, nd of Applicant if it is a bank; that compete with any ffice of Bank, indicating:

(a) *Location;*

(b) *Approximate road miles (by the most accessible and traveled route) and direction each office listed is from the office of Bank;*

(c) *Whether Applicant, or any of Applicant's subsidiary banks, plans to change the location of, or to discontinue, any such office, giving the reasons therefor;*

(d) *Whether Applicant, or any of Applicant's subsidiary banks, has any application pending for, or has received approval for, establishment of one or more branches that will be competing within the service area of Bank;*

(e) *The approximate geographic limits of the service area of each competing banking office determined on the same basis as that used to determine the service area of Bank;*

(f) *The estimated proportions of IPC demand, time, and savings deposits of each competing office, originating in the service area of Bank;*

(g) *The estimated proportions of commercial and industrial loans, farm loans, instalment loans, commercial mortgage loans, and residential mortgage loans of each competing office originating in the service area of Bank;*

(h) *If Applicant has no subsidiary bank with an office competing in Bank's service area, give location*

of the office of the subsidiary bank that is closest to an office of Bank, together with the approximate road miles separating said offices.

Applicant has no subsidiary bank competing in Greeley's Primary Service Area. Applicant's closest subsidiary to Greeley is The First National Bank of North Glenn, Colorado, whose only office is situated approximately 46 miles from the city of Greeley. (See Exhibit G-1 attached.)

5. Offices of all other banks that Applicant believes to be competing with Bank, indicating:

(a) Name of Bank and Location	(b) Distance and Direction From The First National Bank of Greeley
Greeley, Colorado	
Cache National Bank 2600—11th Avenue	1.7 Miles Southwest
Greeley National Bank 8th Avenue and 8th Street	4 Blocks Northeast
State Bank of Greeley 8th Avenue and 9th Street	3 Blocks Northeast
Weld County Bank 1000—10th Street	1½ Blocks Northwest
West Greeley National Bank 2627 W. 10th Street	1.8 Miles West
Eaton, Colorado	
The Eaton Bank P. O. Box 428	7.0 Miles North
LaSalle, Colorado	
South Platte National Bank P. O. Box 128	6.0 Miles South

The above banks, as well as Greeley, are shown on Map, Exhibit G-1 attached.

(c) *The extent to which such offices compete, to the best of Applicant's knowledge and belief.*

In order to determine the manner in which banks listed

in 5. (a) and (b) on pages G-4 and G-5 compete with Greeley, a comprehensive examination of public records filed in Weld County between January 2, 1969 and April 30, 1969, was conducted. This study included examination of the total number of Financing Statements, motor vehicle liens, and Promissory Notes and Deeds of Trust filed by each of the banks and nonbanking financial institutions during the period described (See Exhibit G-3 attached). The results of this study indicate that Greeley's competition is relatively stratified. While Greeley naturally competes for deposits with all the banks located within its Primary Service Area, its principal competition for livestock and agricultural loans is created by The Greeley National Bank and The Weld County Bank. In the area of installment loans on automobiles, furniture and appliances, the primary competition, in terms of number of loans generated, is from the various finance companies located within the city of Greeley. In real estate lending, Greeley's principal competition is from savings and loan associations (both local and branches of out-of-city organizations) and insurance companies. With particular reference to The Eaton Bank in Eaton, Colorado, and The South Platte National Bank in LaSalle, Colorado, competition is largely confined to Greeley's deposits located within those two communities as well as some competition for livestock and agricultural loans. Insofar as Trust Department operations are concerned, only The Greeley National Bank and The Weld County Bank offer competition, as no other banks in the city have established Trust powers.

6. *By delineation on a suitable map, the geographical limits of the service area of Bank and of each office of Applicant's subsidiary banks, and of Applicant if it is a bank, listed in this Exhibit as competing with Bank, indicating the location of each office and identifying such offices by assigned number on an accompanying list. Locate on the map and include on the list all other offices of Applicant's subsidiary banks not considered to be competing with Bank, but which are located within a radius of 25 miles of any office of Bank. Indicate also the location of each office of all other banks identified in this Exhibit as competing with Bank.*

Applicant has no subsidiaries which compete with Greeley or which are situated within 25 miles of Greeley. Appli-

cant's subsidiary banks together with other information requested is on Map, Exhibit G-1 attached.

7. *Nonbank financial institutions that are regarded as competing significantly in the service area of Bank of deposit accounts, loans, and other bank-type services. Such organizations would include savings banks, trust companies that do not accept demand deposits, savings and loan associations, credit unions, and others. Information submitted should indicate the approximate size of the institution, the type of significant competition offered, and the location of each in relation to the office of the Bank.*

Name of Institution	Distance From Bank	Total Assets 12/31/68	Type of Competition Offered
INDUSTRIAL BANKS			
Greeley Industrial Bank 1400—8th Avenue, Greeley	1 Blk East 3 Blks South	$ 1,210,339	Savings Accounts Consumer Loans Some Real Estate Loans
SAVING & LOAN ASSOCIATIONS			
*Empire Savings Building and Loan Association 900—8th Avenue, Greeley	2 Blks North 1 Blk East	148,689,123	Savings Accounts Savings Certificates Residential and Commercial Mortgage Loans
*Mountain Savings and Loan Association 1000—9th Avenue, Greeley	1 Blk North	46,398,183	Same
Northern Colorado Savings and Loan Association 924—11th St., Greeley	1 Blk West	10,500,000 (approx.)	Same
*Midland Federal Savings and Loan Association 918—11th Ave., Greeley (Loan Representative Only)	2 Blks West 2 Blks North	181,317,905	Residential and Commercial Mortgage Loans
*Western Federal Savings and Loan Association (Loan Representative Only) 1007—9th Ave., Greeley	1 Blk North	$339,884,780	Residential and Commercial Mortgage Loans

* Figures for savings and loan associations so designated are either branches or subsidiaries of larger organizations having consolidated assets as shown above. A breakdown specifically for Greeley operations is not obtainable.

Name of Institution	Distance From Bank	Total Assets 12/31/68	Type of Competition Offered
FINANCE COMPANIES			
Aetna Finance Company 700—8th Ave., Greeley	1 Blk East 4 Blks North	$ 781,120	Consumer Loans
Associates Consumer Finance, Inc. 1231—8th Ave., Greeley	2 Blks South 1 Blk East	397,125	Same
Beneficial Finance Company of Greeley 908—8th Ave., Greeley	1 Blk East 1 Blk North	284,922	Same
C.F.C. Corporation Loans 11th St. and 6th Ave., Greeley	3 Blks East	176,301	Same
G.A.C. Finance Corporation 1646—8th Avenue, Greeley	1 Blk East 4½ Blks South	261,556	Same
Greeley Finance Company 1135—8th Avenue, Greeley	1 Blk East ½ Blk South	2,635,528	Same
Household Finance Corporation of Greeley 725—9th Street, Greeley	2 Blks North 2 Blks East	152,197	Same
Liberty Loan Corporation and Affiliates 2703 W. 10th St., Greeley	1.8 Mi. East	244,617	Same
Pacific Finance 1012—8th Ave., Greeley	1 Blk East 1 Blk North	271,343	Same
*Sun Finance Company 1005—29th Ave., Greeley	2.1 Mi. West	3,117,515	Same
First Industrial Loan Company 816—8th Ave., Greeley	3 Blks North 1 Blk East	502,792	Consumer Loans Savings Accounts
Provident Finance Company 928—9th Avenue, Greeley	1 Blk North	200,364	Consumer Loans
Seaboard Finance Company 822—11th Avenue, Greeley	1 Blk West 3 Blks North	191,460	Same
Gold-Naiman Investment Company 1400—8th Ave., Greeley	1 Blk East 3 Blks South	644,062	Same
CREDIT UNIONS			
**Great Western Federal Credit Union 600 Walnut, Windsor, Colo.	14 Mi. Northwest	394,992	Savings Certificates Consumer Loans
Mopac Federal Credit Union 724—8th St., Greeley	1 Blk East 3½ Blks North	158,180	Same

* Consolidated figures for five offices.
** Not shown on Map Exhibit G-2.

Name of Institution	Distance From Bank	Total Assets 12/31/68	Type of Competition Offered
Norbel Credit Union—Northern Colorado 1454—9th St., Greeley	2 Blks North 5½ Blks West	880,088	Same
Weld Federal Credit Union 714—6th St., Greeley	2 Blks East 5 Blks North	464,663	Same
The College Credit Union of Greeley Colorado State College, Greeley	7½ Blks South	344,547	Same
Greeley Public Schools Credit Union 811—15th St., Greeley	4 Blks South 1 Blk East	136,338	Same
M. G. Credit Union 2430—14th Ave. Ct., Greeley	1.9 Mi. Southeast	17,758	Same
Our Lady of Peace Credit Union 2305—25th St. Rd., Greeley	2.4 Mi. Southwest	8,401	Same
Weld County General Hospital Credit Union 16th St. at 17th Ave., Greeley	9 Blks West 4½ Blks South	51,989	Same
MISCELLANEOUS			
**Banker's Agricultural Credit Corporation Ft. Lupton, Colorado	23 Mi. South	$ 100,000	Agricultural Loans (New Company—very nominal loans outstanding.)
**High Plains Agricultural Credit Corporation Cheyenne, Wyoming	51 Mi. North	3,094,126	Agricultural Loans (Estimated approximately $625,000 loaned in Weld County.)
**South Platte Agricultural Credit Corporation LaSalle, Colorado	6 Mi. South	not available	Agricultural Loans (Amount not known)
Federal Land Bank Association of Greeley 1008—9th St., Greeley	1 Blk West 2 Blks North	not available	Farm Real Estate Loans
Production Credit Association 1817—9th St., Greeley	2 Blks North 8½ Blks West	$ 10,549,196	Agricultural Loans

** Not shown on Map Exhibit G-2.

All above listed nonbanking financial institutions, other than those specifically referred to, are shown on Map G-2 attached.

8. *Amount of correspondent bank balances as of the date of the Bank's most recent report of condition* (April 30, 1969) *filed with the appropriate supervisory authority:*

(a) *Of Bank due from each subsidiary of the Applicant and Applicant if it is a bank;*

The First National Bank of Denver—$2,051,989.07.

(b) *Of Bank due from other banks showing only the number of such other banks and the aggregate balance;*

Eleven banks (including balance with Denver Branch of Federal Reserve Bank of Kansas City)—$2,223,-182.97.

(c) *With Bank due to each subsidiary of the Applicant and Applicant if it is a bank;*

None

(d) *With Bank due to all other banks showing only the number having such balances and the aggregate balance, segregated as to those competing and those not competing with Bank;*

Competing with Greeley—NONE.

Not competing with Greeley—One—$218,969.91 (Net —Greeley has demand Certificate of Deposit with this bank.)

(e) *With each subsidiary of the Applicant, and Applicant if it is a bank, due to each other bank listed in Item 5 of this Exhibit as competing with an office of Bank.*

First National—Four accounts—$603,109.20.

No other subsidiary of Applicant has any correspondent bank balances from any of the banks listed in Item 5 of this Exhibit.

9. *Number and total amount of loans originated (during a 12 month period ended not more than 3 months prior to the date of the application) by:*

(a) *The Bank which were placed or shared with each of the Applicant's subsidiary banks, and the Applicant if it is a bank, and with other banks, showing separately for each category the amount retained by the Bank;*

Originated by:	*# of Loans*	*Total Amount*	*Retained by Greeley*
The First National Bank of Greeley	3	$1,412,363.65	$ 900,000.00

(All of the above loans were participated to The First National Bank of Denver. No loans were participated to any of the Applicant's other subsidiaries.)

Participated with other banks:

Originated by:	*# of Loans*	*Total Amount*	*Retained by Greeley*
The First National Bank of Greeley	10	$4,660,037.50	$2,879,800.00

(b) *Each of the Applicant's subsidiary banks, and the Applicant if it is a bank, which were placed or shared with the Bank, and the amount of such loans taken by the Bank;*

None

(c) *Other banks which were placed or shared with the Bank, showing separately for each category the amount taken by the Bank.*

Originated by:	*# of Loans*	*Amount taken by Greeley*
Other banks	5	$1,290,000.00

10. *An indication as to:*

(a) *Whether Bank is generally competitive with the banks and nonbank financial institutions listed in this Exhibit with respect to interest rates paid on time and savings deposits, service charges on deposit accounts, and interest rates charged on secured and unsecured loans to businesses and individuals, instalment loans, and conventional mortgage loans on one-to-four family dwellings, commercial properties and farms, noting all significant variations;*

It is the opinion of Greeley after considering the intense

competition within its Primary Service Area that Bank is competitive with other banks in the area and, to the extent permissible under the law, with nonbanking financial institutions previously listed in this Exhibit. Greeley pays the maximum interest rates permitted by regulations on Time and Savings deposits. In the Primary Service Area of Greeley the five Savings and Loan Associations pay higher rates on Savings than do commercial banks. Service charges on checking accounts charged by Greeley compare favorably with those charged by other banks in the city of Greeley. By reason of the strong competitive situation in the community, interest rates charged by all banks on virtually all types of loans in all categories, with the exception of instalment and some farm loans, are competitive. Finance Companies and Credit Unions charge somewhat higher rates on instalment loans than do banks including Greeley. The Federal Land Bank at the present time will make some farm loans at a rate that is below that charged by other farm mortgage lenders.

The one Industrial Bank in addition to The Industrial Finance Company compete for savings dollars and generally pay depositors higher rates than those permitted to be paid by banks; however, they do charge higher rates on their instalment loans.

(b) *Whether such interest rates or service charges of the Bank would be affected if this application is approved.*

Neither the rates paid on Savings and Time deposits nor interest charged on various loans will be affected by approval of this application. There may be some effect on real estate loan rates within the city of Greeley because of increased competition in the real estate lending area upon approval of this application. (This factor is discussed in Exhibit F of this application.)

EXHIBIT G-1

Map Showing Location of Applicant's Subsidiaries, Greeley, and Two Banks Competing with Greeley Not Located Within the City of Greeley Proper.

(Two Banks Not Located Within the City of Greeley Proper Are The Eaton Bank at Eaton, Colorado; and The South Platte National Bank at LaSalle, Colorado.)

EXHIBIT G-2

Map Showing Location of All Banks and Nonbank Financial Institutions Located Within the City of Greeley.

EXHIBIT G-3

Graph Indicating Per Cent of Number of Lien Documents Filed in Greeley's Primary Service Area By Banks and Nonbank Financial Institutions Located Within Greeley's Primary Service Area.

CONFIDENTIAL

EXHIBIT B-5
"CONFIDENTIAL"

LOANS SECURED BY SHARES OF THE FIRST NATIONAL BANK OF GREELEY (4/18/69)

	Amount of Loan	# of Shares of Greeley Pledged	Total Collateral Value	Value of Bank Shares Pledged	% Bank Stock Value to Total Collateral
Burch, Leonard	$ 57,000.00	2,625	$ 97,125.00	$ 97,125.00	100
Davis, Robert S.	160,000.00	7,000	259,000.00	259,000.00	100
Dinner Brothers (Our Part)	698,400.00	100	1,119,930.00	3,700.00	Less than 1%
Dunks, Martin R.	16,000.00	638	23,606.00	23,606.00	100
Eaton, Rex C., Jr. & Beverly McKee	39,300.00	3,000	118,434.00	111,000.00	94
Gronstal, James B. & Sarah F.	31,500.00	1,000	59,780.00	37,000.00	53
Haley, John L.	7,350.00	275	10,175.00	10,175.00	100
Holmes, Darrell & Eleanore	7,261.00	312	11,544.00	11,544.00	100
Jones, Harold S.	67,000.00	5,130	190,550.00	190,550.00	100
Mathews, Virgil J., Jr. & Marilyn	7,600.00	130	13,940.00	5,550.00	40
Miller, A. R. & Cleo M.	2,440.00	353	13,061.00	13,061.00	100
Monroe Corporation, Robert M. & Frances Gilbert	1,100,000.00	(*)13,497	2,286,717.00	499,389.00	22
Phelps, J. F.	59,000.00	5,130	190,550.00	190,550.00	100
Rieker, Louis C. & Marjorie L.	4,836.00	150	10,386.00	5,550.00	53
Royer, Dean C.	107,500.00	6,300	233,100.00	233,100.00	100
Scott, Ernest B.	27,750.00	1,000	37,000.00	37,000.00	100
Vonfeldt, Alvin E. & Norma L.	1,600.00	52	1,924.00	1,924.00	7
Weaver, Phillip D. & Ora M.	12,270.00	667	27,329.00	24,679.00	90

In all instances above, the lender is First National. None of the Applicant's other subsidiaries have loans secured by Greeley stock.

(*)13,035 shares standing in the name of Monroe Corporation, 267 shares in the name of Robert M. Gilbert, and 195 shares in the name of Robert M. and Frances Gilbert.

EXHIBIT C (Supplemental)

1. *Financial information, preferably in columnar form, consisting of:*

(a) *A balance sheet of the Applicant, showing separately each principal group or class of assets, liabilities, and capital accounts, and similar in form to that which would be sent to, or prepared for, its shareholders, as of the date of the application, or as of a date not in excess of three months prior thereto provided a summary statement is included of all significant changes in the interim to the date of the application or that there have been no such changes;*

(b) *Debit and credit adjustments, explained by footnotes, to each asset, liability, and capital account relating to each proposed transaction; and*

(c) *The resulting pro forma balance sheet.*

See letter and balance sheet of Applicant attached.

7. *Any plans involving capital improvement programs of Applicant or any of its subsidiaries.*

Applicant must and will accept the responsibility of providing each of its subsidiary banks with additional capital funds if the subsidiaries cannot retain sufficient capital out of their own earnings. A preliminary study by Applicant of the capital requirements of its four subsidiaries indicates that within the next two years the following additions to capital could properly and profitably be made:

The First National Bank of Denver	None
The First National Bank of Bear Valley	$400,000.00
The First National Bank of North Glenn	$400,000.00
The First National Bank of Southglenn	$200,000.00

Applicant has not yet determined the best and proper method for it to raise funds for its own account so that it will have the ability of providing additional capital to the three subsidiaries mentioned nor has it determined whether the amounts above specified are sufficient and adequate. Such determinations are under consideration.

EXHIBIT D

4. *Any plans involving capital improvement programs of Bank.*

None

EXHIBIT E

1. *As of the date of the latest available midyear or year-end condition report, the number and amount of IPC deposits segregated by demand, savings, and time (each by size of account), similar to that furnished the FDIC for use in its latest Summary of Deposits. If available, the information for IPC demand deposits should be provided separately for business and household accounts. Separate data should be supplied for:*

(a) *Each office of Bank and the total for Bank;*

This information was filed with original application and included figures as of June 29, 1968, which are the latest figures available as prepared for the FDIC. In addition, a statement was made in EXHIBIT D, Item 1. (a) "In opinion of Greeley's management no significant change has occurred in composition of deposits since June 30, 1968."

2. *As of the date of the latest midyear or year-end condition report available, the amount of Bank's:*

(a) *Instalment loans to individuals for household, family, or other personal purposes, indicating the approximate amount originated by Bank and the amount purchased from others, segregated as to the amount purchased from vendors located within and without Bank's service area;*

Amount originated by Bank =	$1,659,739.18
Amount purchased from others:	
Within Bank's service area =	437,651.80
Outside Bank's service area =	-0-
Total	$2,097,390.98

(b) *Residential mortgage loans, indicating the approximate amount originated by the Bank and the*

amount purchased from others, segregated as to sellers located within and without Bank's service area;

Originated by the Bank = $1,713,280.44

No residential mortgage loans purchased from others.

EXHIBIT G

2. *The estimated proportions of:*

(a) *Bank's IPC demand, savings, and time deposits which originate in the service area of each of Applicant's subsidiary banks, or of Applicant, if it is a bank:*

Bank's deposits originating within the Denver Standard Metropolitan Statistical Area, that area considered to be the primary service area of First National, are as follows: (See explanation on page G-4 of Application.)

Demand	162 accounts	$337,226.86
Time and Savings	183 accounts	446,052.22
Total	345 accounts	$783,279.08

(b) *Bank's commercial and industrial loans, farm loans, instalment loans, commercial mortgage loans, and residential mortgage loans which originate in the service area of each of Applicant's subsidiary banks, or of Applicant if it is a bank.*

Bank's loans originating within the Denver Standard Metropolitan Stastical Area, that area considered to be the primary service area of First National, are as follows: (See explanation on page G-5 of Application.)

Commercial and Industrial	4 loans	$276,284.40
Farm	2 loans	348,263.75
Residential Real Estate	1 loan	36,000.00
Commercial Real Estate	-0-	-0-
Consumer	59 loans	148,568.87
Total	66 loans	$809,117.02

4. *All offices of banks that are subsidiaries of the Applicant, and of Applicant if it is a bank; that compete with any office of Bank, indicating:*

(a) *Location;*

(b) *Approximate road miles (by the most accessible and traveled route) and direction each office listed is from the office of Bank;*

(c) *Whether Applicant, or any of Applicant's subsidiary banks, plans to change the location of, or to discontinue, any such office, giving the reasons therefor;*

(d) *Whether Applicant, or any of Applicant's subsidiary banks, has any application pending for, or has received approval for, establishment of one or more branches that will be competing within the service area of Bank;*

(e) *The approximate geographic limits of the service area of each competing banking office determined on the same basis as that used to determine the service area of Bank;*

(f) *The estimated proportions of IPC demand, time, and savings deposits of each competing office, originating in the service area of Bank;*

(g) *The estimated proportions of commercial and industrial loans, farm loans, instalment loans, commercial mortgage loans, and residential mortgage loans of each competing office originating in the service area of Bank;*

(h) *If Applicant has no subsidiary bank with an office competing in Bank's service area, give location of the office of the subsidiary bank that is closest to an office of Bank, together with the approximate road miles separating said offices.*

Applicant has no subsidiary bank competing in Greeley's Primary Service Area. Applicant's closest subsidiary to Greeley is The First National Bank of North Glenn, Colorado, whose only office is situated approximately 46 miles from the city of Greeley. First National, however, does have a real estate loan production office in the city of Greeley. (Please refer to EXHIBIT F.)

THE FIRST NATIONAL BANCORPORATION, INC.
P.O. BOX 5605 T.A.
DENVER, COLORADO 80217

September 8, 1969

Federal Reserve Bank of Kansas City
Federal Reserve Station
Kansas City, Missouri 64198

Gentlemen:

In connection with the application by The First National Bancorporation, Inc. to acquire 80% or more of the outstanding shares of The First National Bank of Greeley, I wish to certify that there was no material change in the financial condition of the Applicant between June 30, 1969, the date of the attached financial statement, and the date of the application, July 9, 1969.

Very truly yours,
/s/ Bruce D. Alexander
BRUCE D. ALEXANDER
Executive Vice President

THE FIRST NATIONAL BANCORPORATION, INC.
BALANCE SHEET, JUNE 30, 1969
(Parent Company Only)

Assets		
Current Assets—Cash		$ 37,088
Investment in Stock of Subsidiary Banks—Representing the Company's interest in the underlying net assets:	Percent Owned	
The First National Bank of Denver	99.65%	42,524,750
The First National Bank of Bear Valley	90.51%	528,707
The First National Bank of North Glenn	93.49%	475,108
The First National Bank of Southglenn	88.81%	329,686
Other—Stock issuance and organization expense (less amortization of $6,875)		177,425
TOTAL:		$44,072,764
Liabilities		
Current Liabilities—Accrued taxes		$ 8,666
Note Payable—Due October 31, 1971, interest payable quarterly at prime rate		185,000
Stockholders' Equity:		
Common stock, $10 par value: Authorized 3,500,000 shares; issued and outstanding, 1,488,585	$14,885,850	
Paid-in surplus	27,154,577	
Retained earnings	1,838,671	
Stockholders' equity		43,879,098
TOTAL:		$44,072,764

As supplemental information, while Applicant does not have a subsidiary bank considered to be competing with Greeley, First National does have a number of deposit and loan accounts located within Greeley's Primary Service Area. These are more particularly delineated as follows: (as of July 31, 1969)

Deposits:		
(*) Demand	39 accounts	$1,109,805.28
Time and Savings	41 accounts	$ 107,151.39
Loans:		
Personal	28 loans	$2,051,115.00
(The majority of these loans were detailed in the original application as "CONFIDENTIAL" material.)		
Residential Real Estate	3 loans	$ 51,823.25
(*) Commercial Real Estate	1 loan	$ 289,553.00
(*) Commercial and Industrial	2 loans	$ 777,500.00
(*) Farm	18 loans	$4,370,713.00

* Three of First National's larger customers live within Greeley's Primary Service Area. They are (1) Monfort Feed Lots, Inc.; (2) Monfort Packing Company, and (3) Farr Farms Company. These companies are long time customers of First National and are engaged in either livestock feeding or livestock processing operations. The primary reason these accounts are handled directly by First National is that the Greeley banks have been unable to handle their extremely large financing requirements whose approved lines of credit are in excess of $20,000,000. Monfort's credit needs are constantly in eight-figure amounts, and Farr's needs are in seven-figure amounts throughout the year.

In the items listed above, "Demand Deposits" associated with Monfort entities totaled $878,147.60; "Commercial Real Estate" is all attributable to Monfort; "Commercial and Industrial" loans to Monfort total $576,000.00; and in the "Farm" loan category, $1,918,500 is to Monfort and $1,513,000 is to Farr Farms Company. The remaining Farm loans are participations from various Greeley banks either because such lines exceed the legal limits of the banks involved, or the banks are short of lendable funds.

THE FIRST NATIONAL BANCORPORATION, INC.

THE FIRST NATIONAL BANK OF GREELEY
GREELEY, COLORADO

EXHIBITS

ANNUAL REPORT

The First National Bancorporation, Inc.

TO OUR SHAREHOLDERS:

On October 18, 1968 The First National Bancorporation, Inc., which was incorporated under the laws of Colorado on December 1, 1967, had acquired through exchange of stock, controlling interests in The First National Bank of Denver and its three affiliated banks. As of October 18, 1968, the Bancorporation owned 99.67% of The First National Bank of Denver, 89.44% of The First National Bank of Bear Valley, 92.91% of The First National Bank of North Glenn, and 88.60% of The First National Bank of Southglenn.

We are confident that the multiple advantages of membership in a registered bank holding company will accrue to our four subsidiary banks and to the former stockholders in these banks who exchanged their shares.

The principal advantages of such membership are: (a) the competitive strength of the holding company itself; (b) the ability of a subsidiary bank to retain its own identity and operate autonomously as compared with a merger into a larger bank; (c) the ability of the company to generate funds for capital expansion for subsidiary banks and to provide with its own funds banking quarters for such subsidiaries; (d) the facility of extending the 109 year banking experience of The First National Bank of Denver to the other subsidiary banks; and (e) a more ready market for shares owned by the stockholders as well as diversification of banking interests.

The policy of our company is to expand as rapidly and as wisely as possible through the acquisition of other banks in Colorado (preferably banks in those growth areas where Bancorporation may make the most significant contribution to Colorado's economy and concurrently generate the highest profits for its shareholders) and through other legally permissible investments and activities.

We believe that in 1969 legislation will be passed in Congress to place one-bank holding companies under the Bank Holding Company Act of 1956 and, at the same time, expand the types of related businesses which may be organized or acquired by registered bank holding companies. The Board of Governors of The Federal Reserve System in a printed statement of principles released February 20, 1969, said, "one-bank holding companies and multi-bank holding companies should be afforded equal treatment under the law with respect to bank and non-bank acquisitions," and that "registered bank holding companies should be allowed to enter certain non-banking areas of activity, specified in statute or agency regulation, which would facilitate broader services for the public." We believe this to be a fair statement of principles and, dependent upon resulting legislation and consistent with our policies, will take advantage of each opportunity afforded us.

We are pleased that bank growth via the registered bank holding company route is becoming well accepted throughout Colorado as evidenced by the announcement of the proposed formation of three additional companies. Others, we know, are under consideration.

We sincerely appreciate the support of our shareholders and of the many officers and employees of the member banks. We earnestly solicit your continued support.

Sincerely,

Montgomery Dorsey

Montgomery Dorsey,
Chairman of the Board

Eugene H. Adams

Eugene H. Adams,
President

THE FIRST NATIONAL BANCORPORATION, INC.

CONSOLIDATED BALANCE SHEET
(UNAUDITED)

	DECEMBER 31	
RESOURCES	**1968**	**1967**
Cash and Due from Banks	$159,938,538	$144,963,993
U.S. Government Obligations (Note 2)	64,734,869	62,139,171
Obligations of States and Political Subdivisions (Note 2)	42,519,033	42,345,054
Obligations of Federal Agencies (Note 2)	6,000,000	2,000,000
Other Securities (Note 2)	950,823	948,500
Federal Funds Sold	1,400,000	2,150,000
Loans, Less Reserve for Loan Losses (Note 3)	345,678,607	298,708,319
Bank Premises and Equipment, Less Accumulated Depreciation (Note 5)	15,531,552	15,879,629
Customers' Acceptance Liability	261,237	90,983
Income Earned, Uncollected	4,834,631	4,421,814
Other Assets	4,665,015	1,372,066
Total	$646,514,305	$575,019,529
LIABILITIES		
Deposits:		
(a) Demand	$338,841,139	$300,800,830
(b) Time	230,100,382	222,328,522
Total	568,941,521	523,129,352
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	21,614,607	-0-
Funds Borrowed	185,000	-0-
Mortgages Payable (Note 6)	5,384,092	5,808,852
Acceptances Outstanding	261,237	90,983
Income Collected, Unearned	1,924,524	1,656,938
Other Liabilities	5,321,719	4,154,353
Total	603,632,700	534,840,478
Minority Interests in Subsidiary Banks	283,512	267,078
Stockholders' Equity	42,598,093	39,911,973
Total	$646,514,305	$575,019,529

See Notes to Consolidated Financial Statements

DIRECTORS

*MONTGOMERY DORSEY
Chairman of the Board, The First National Bank of Denver

*EUGENE H. ADAMS
President, The First National Bank of Denver

*BRUCE D. ALEXANDER
Senior Vice President, The First National Bank of Denver

LEE C. ASHLEY
Senior Vice President and Cashier, The First National Bank of Denver

G. B. AYDELOTT
President, The Denver and Rio Grande Western Railroad Company

RICHARD P. BROWN
Senior Vice President and Executive Trust Officer, The First National Bank of Denver

EDWARD B. CLOSE, JR.
Partner, Hughes & Dorsey, Attorneys

JOHN EVANS, JR.
President, Evans Investment Company

†FREDERICK M. FARRAR
Chairman of the Board, The First National Bank of Pueblo, Pueblo, Colorado

W. COLES HUGGINS
Executive Vice President, Mountain States Telephone and Telegraph Company

SAMUEL T. JONES
Insurance, Pueblo, Colorado

JOHN M. KING
Chairman of the Board, King Resources Company

WILLIAM H. KISTLER
President, W. H. Kistler Stationery Company

DAVIS W. MOORE
Investments

J. SIMS NORMAN, M.D.
Physician, Pueblo, Colorado

GERALD H. PHIPPS
President, Gerald H. Phipps, Inc.

*DONALD E. PROVOST
President, Stearns-Roger Corporation

BARRY MORREY SULLIVAN
President, Morrey Realty Company

*RUSSELL T. TUTT
President, El Paso Investment Company, Colorado Springs, Colorado

*WILLIAM M. WHITE, JR.
Chairman of the Board and President, Great Western United Corporation

*Member Executive Committee †Resigned January 13, 1969

ADVISORY DIRECTORS

JOSEPH B. BOYD
President, The First National Bank of Southglenn

RICHARD C. MECKLEY
President, The First National Bank of Bear Valley

WESLEY J. WATSON
Executive Vice President, The First National Bank of North Glenn

OFFICERS

MONTGOMERY DORSEY
Chairman of the Board

EUGENE H. ADAMS
President

BRUCE D. ALEXANDER
Executive Vice President

RICHARD S. FITZGERALD
Vice President

LEE C. ASHLEY
Treasurer

EDWARD B. CLOSE, JR.
Secretary

CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

	FOR THE YEARS ENDED DECEMBER 31	
OPERATING INCOME:	**1968**	**1967**
Interest and Fees on Loans	$ 21,877,146	$ 17,952,142
Interest and Dividends on:		
U.S. Government Obligations	2,996,846	2,501,824
Obligations of States and Political Subdivisions	1,518,674	1,327,869
Trust Department	5,104,779	4,147,818
Other	3,552,633	2,447,008
Total	$ 35,050,078	$ 28,376,461
OPERATING EXPENSES:		
Salaries and Bonuses	7,572,287	6,544,779
Pensions, Profit Sharing and Other Employee Benefits	889,467	1,112,435
Interest on Deposits	10,575,801	8,972,388
Interest on Borrowed Money	303,065	313,152
Net Occupancy – Bank Premises	914,816	825,483
Equipment Rentals, Depreciation, Maintenance	1,606,957	1,447,970
Other	4,178,473	2,023,553
Total	26,040,866	21,239,670
OPERATING INCOME BEFORE INCOME TAX	9,009,212	7,136,792
INCOME TAXES APPLICABLE TO OPERATING INCOME	4,186,468	2,881,246
NET OPERATING INCOME BEFORE MINORITY INTEREST	4,822,744	4,255,538
MINORITY INTEREST	33,033	24,782
NET OPERATING EARNINGS	4,789,711	4,230,756
NON-OPERATING ADDITIONS (DEDUCTIONS) NET OF RELATED INCOME TAXES OF: 1968, $438,319; 1967, $340,794:		
Provision for Loan Losses (Note 3)	$ (326,699)	$ (313,175)
Net Security Losses	(83,430)	(2,423)
Other-Net	16,103	(10,115)
Minority Interest in Non-Operating Items	7,120	3,067
Net Non-Operating Deductions	(386,906)	(322,646)
NET INCOME	$ 4,402,805	$ 3,908,110
PER SHARE OF COMMON STOCK:		
Net Operating Earnings	$3.22	$2.84
Net Income	$2.96	$2.63

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY
(UNAUDITED)

	DECEMBER 31	
	1968	**1967**
BALANCE, January 1	$ 39,911,973	$ 37,420,990
ADDITIONS – Consolidated Net Income	4,402,805	3,908,110
DEDUCTION – Cash Dividends Declared	(1,716,685)	(1,417,127)
BALANCE, December 31	$ 42,598,093	$ 39,911,973

See Notes to Consolidated Financial Statements

THE FIRST NATIONAL BANCORPORATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1968 (UNAUDITED)

1. PRINCIPLES OF CONSOLIDATION

The acquisition of the stock of the four subsidiary banks effective October 18, 1968 has been accounted for on a pooling of interests basis. The accompanying consolidated financial statements have been prepared to reflect the merger retroactively and include the accounts of the Parent Corporation and all subsidiaries. All intercompany transactions have been eliminated.

2. SECURITIES

Investment securities are included in the balance sheet at cost, adjusted for acretion of discount and amortization of premium. The market values on December 31, 1968 were: U.S. Government Obligations, $64,195,020; Obligations of States and political subdivisions, $41,639,302; Obligations of Federal agencies, $5,908,750; Other securities, $950,823.

3. RESERVE FOR LOAN LOSSES

The provision for loan losses transferred to the reserve is based on the deduction allowable for Federal income tax return purposes and is not based on actual loan loss experience. Following is a summary of the transactions in the reserve for loan losses:

	Year ended December 31, 1968	1967
Reserve balance, January 1	$3,556,945	$2,983,745
Transfer to reserve	683,000	640,700
Total	4,239,945	3,624,445
Loans charged off, net of recoveries	519,621	67,500
Reserve balance, December 31	$3,720,324	$3,556,945

4. PENSIONS

The subsidiary banks have a noncontributory pension plan covering all regular full-time employees. The total pension expense for 1968 was $261,000 which included no amount for past service costs. No specific funding or accounting method for past service costs has been adopted, and the amount charged to expense may vary from year to year. At December 31 the unfunded value of vested benefits was approximately $3,000,000.

5. BANK PREMISES AND EQUIPMENT

	Asset	Accumulated Depreciation
Balances at December 31, 1968:		
Land	$ 486,120	
Buildings and leasehold improvements	21,311,360	$7,142,098
Furniture and equipment	2,351,456	1,475,286
Total	$24,148,936	$8,617,384

The Companies provide for depreciation of buildings and leasehold improvements on a straight line basis over estimated useful lines varying from seven to fifty years and for depreciation of furniture and equipment on straight-line and accelerated bases over estimated useful lines varying from three to forty years. Depreciation expense for 1968 totaled $904,789.

6. MORTGAGES PAYABLE

Certain properties are assigned as collateral to mortgages payable. The mortgages bear interest at rates ranging from 4½% to 6% and are payable $175,000 each quarter, including principal and interest.

7. INCOME TAXES

Income taxes are provided based on financial accounting income adjusted for nontaxable items, such as interest on obligations of States and political subdivisions. The current year's provision has been reduced by investment credits of $20,391 currently allowable on the Federal income tax return. There are no unused investment credits available to offset income taxes of future years.

BALANCE SHEET, DECEMBER 31, 1968
(PARENT COMPANY ONLY)

ASSETS		
CURRENT ASSETS – Cash		$ 4,723
INVESTMENT IN STOCK OF SUBSIDIARY BANKS – Representing the Company's interest in the underlying net assets:	Percent Owned	
The First National Bank of Denver	99.64%	41,290,114
The First National Bank of Bear Valley	89.44%	505,278
The First National Bank of North Glenn	92.91%	449,200
The First National Bank of Southglenn	88.60%	313,918
OTHER – Stock issuance and organization expense (less amortization of $2,292)		182,010
TOTAL		$42,785,243
LIABILITIES		
CURRENT LIABILITIES – Accrued interest and taxes		$ 2,150
NOTE PAYABLE – Due October 31, 1971, interest payable quarterly at prime rate		185,000
STOCKHOLDERS' EQUITY:		
Common stock, $10 par value: authorized, 3,500,000 shares; issued and outstanding, 1,488,585	$14,885,850	
Paid-in surplus	27,154,577	
Retained earnings	557,666	
Stockholders' equity		42,598,093
TOTAL		$42,785,243

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE PERIOD FROM OCTOBER 18, 1968 TO DECEMBER 31, 1968
(PARENT COMPANY ONLY)

INCOME FROM SUBSIDIARY BANKS:		
Cash dividends		$ 546,404
Equity in undistributed earnings since acquisition		530,233
Management and service fees		24,000
TOTAL		1,100,637
EXPENSES:		
Services purchased from The First National Bank of Denver	$6,891	
Directors' fees	2,500	
Association dues	2,341	
Amortization	2,292	
Interest	1,320	
Other	5,792	
TOTAL		$ 21,136
INCOME BEFORE INCOME TAXES		1,079,501
PROVISION FOR INCOME TAXES		830
NET INCOME		1,078,671
CASH DIVIDENDS PAID		521,005
RETAINED EARNINGS, DECEMBER 31, 1968		$ 557,666

NOTE: The Company began operations October 18, 1968 upon exchange of its stock for stock of the subsidiary banks.

ACCOUNTANTS' OPINION

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

818 SEVENTEENTH STREET
DENVER 80202

OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders
of The First National Bancorporation, Inc.:

We have examined the balance sheet of The First National Bancorporation, Inc. (Parent Company only - a Colorado Corporation) as of December 31, 1968, and the related statement of income and retained earnings for the period from October 18, 1968 (date commenced operations) to December 31, 1968. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except that we have not examined the financial statements of the subsidiary banks.

Inasmuch as we have not examined the financial statements of the subsidiary banks, and the Company's investment in these banks constitutes the major part of its assets and the source of the major part of its income, we are unable to express an opinion on the accompanying Parent Company only financial statements taken as a whole (nor does our opinion, expressed below, extend to amounts included in the financial statement captions entitled "Investment in stock of subsidiary banks" and "Equity in undistributed earnings since acquisition" or the effect of transactions therein on net income and retained earnings). However, in our opinion, the accompanying Parent Company only balance sheet presents fairly in all material respects the other assets and liabilities of the Company as of December 31, 1968, and the accompanying statement of income and retained earnings presents fairly in all material respects the other income and expenses of the Company for the period from October 18, 1968 to December 31, 1968, in conformity with generally accepted accounting principles consistently applied.

Haskins & Sells

Denver, Colorado,
February 10, 1969

THE FIRST NATIONAL BANK OF DENVER

CONSOLIDATED BALANCE SHEET
FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	DECEMBER 31 1968	1967
RESOURCES		
Cash and Due from Banks	$157,768,234	$143,454,618
U.S. Government Obligations	61,037,105	58,567,338
Obligations of States and Political Subdivisions	41,417,073	42,064,102
Obligations of Federal Agencies	6,000,000	2,000,000
Other Securities	921,573	920,000
Federal Funds Sold	1,400,000	2,150,000
*Loans	332,708,778	289,284,822
Bank Premises and Equipment	15,059,918	15,456,957
Customers' Acceptance Liability	261,237	90,983
Income Earned, Uncollected	4,708,435	4,341,163
Other Assets	4,468,160	1,355,697
Total Resources	**$625,750,513**	**$559,705,680**
*After Deduction of Loan Reserve	$ 3,552,294	$ 3,463,690
LIABILITIES		
Deposits:		
(a) Demand	$330,634,483	$295,288,415
(b) Time	219,614,342	214,107,292
Total	550,248,825	509,395,707
Federal Funds Purchased and Securities Sold Under Agreement to Repurchase	21,614,607	-0-
Mortgages Payable	5,384,092	5,808,852
Acceptances Outstanding	261,237	90,983
Income Collected, Unearned	1,614,838	1,517,325
Other Liabilities	5,187,616	4,053,714
Total Liabilities	$584,311,215	$520,866,581
CAPITAL ACCOUNTS		
Equity Capital:		
Common Stock: 500,000 Shares Authorized and Outstanding, Total Par Value	$ 10,000,000	$ 10,000,000
Surplus	20,000,000	20,000,000
Undivided Profits	11,439,298	8,839,099
Total Capital Accounts	$ 41,439,298	$ 38,839,099
Total Liabilities and Capital	**$625,750,513**	**$559,705,680**

THE FIRST NATIONAL BANK OF DENVER

CONSOLIDATED STATEMENT OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	DECEMBER 31	
	1968	1967
OPERATING INCOME:		
Interest and Fees on Loans	$ 20,912,503	$ 17,204,522
Interest and Dividends on:		
U.S. Government Obligations	2,842,052	2,465,723
Obligations of States and Political Subdivisions	1,491,168	1,325,226
Service Charges on Deposit Accounts	857,445	829,146
Trust Department	5,104,779	4,147,618
Other	2,454,636	1,423,418
Total	33,662,583	27,395,653
OPERATING EXPENSES:		
Salaries and Bonuses	7,188,115	6,262,810
Pensions, Profit Sharing, and Other Employee Benefits	852,713	1,085,060
Interest on Deposits	10,122,960	8,662,381
Interest on Borrowed Money	301,709	313,152
Net Occupancy – Bank Premises	841,861	760,507
Equipment Rentals, Depreciation, Maintenance	1,568,645	1,418,419
Other	4,013,543	1,900,292
Total	24,889,546	20,402,621
OPERATING EARNINGS BEFORE INCOME TAX	8,773,037	6,993,032
INCOME TAXES APPLICABLE TO OPERATING EARNINGS	4,127,050	2,840,458
NET OPERATING EARNINGS	4,645,987	4,152,574
Per Share (500,000 Shares)	$9.29	$8.31
NON-OPERATING ADDITIONS – NET AFTER TAX EFFECT:		
(All sundry other items)	38,825	12,940
NON-OPERATING DEDUCTIONS – NET AFTER TAX EFFECT:		
Net Security Losses	83,430	2,423
Transfer to Reserve for Loan Losses	266,208	293,280
Other	19,975	22,987
Total Non-operating Deductions	369,613	318,690
NET NON-OPERATING ADDITIONS (DEDUCTIONS)	(330,788)	(305,750)
TRANSFERRED TO UNDIVIDED PROFITS	$ 4,315,199	$ 3,846,824
PER SHARE (500,000 Shares)	$8.63	$7.69

CONSOLIDATED RECONCILEMENT OF CAPITAL ACCOUNTS FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	1968	1967
BALANCE, BEGINNING OF YEAR	$ 38,839,099	$ 36,392,275
Additions—Transferred from Statement of Earnings	4,315,199	3,846,824
Deductions—Cash Dividends Declared (per Share*: 1968, $3.43; 1967, $2.80)	(1,715,000)	(1,400,000)
BALANCE, END OF YEAR	$ 41,439,298	$ 38,839,099

*500,000 Shares Outstanding

DIRECTORS

*EUGENE H. ADAMS
President

*G. B. AYDELOTT
President, The Denver and Rio Grande Western Railroad Company

SIDNEY L. BROCK, JR.
Retired Senior Vice President

*RICHARD P. BROWN
Senior Vice President and Executive Trust Officer

THEODORE D. BROWN
President, Security State Bank Sterling, Colorado

ROBERT L. CAMPBELL
Vice President, Safeway Stores, Inc.

CLARENCE J. DALY
President, Daly Companies

*MONTGOMERY DORSEY
Chairman of the Board

JOHN EVANS, JR.
President, Evans Investment Company

JOHN A. FERGUSON, JR.
President, Strasm Realty Corporation

*W. COLES HUDGINS
Executive Vice President, Mountain States Telephone and Telegraph Company

FRANK A. KEMP
Retired Chairman of the Board, The Great Western Sugar Company

*JOHN M. KING
Chairman, King Resources Company

WILLIAM H. KISTLER
President, W. H. Kistler Stationery Company

DAVIS W. MOORE
Investments

HUDSON MOORE, JR.
President, Walter S. Cheesman Realty Company

AKSEL NIELSEN
Chairman of the Board, Mortgage Investments Company

J. SIMS NORMAN, M.D.
Physician, Pueblo, Colorado

GERALD H. PHIPPS
President, Gerald H. Phipps, Inc.

WALTER J. PREDOVICH
Predovich and Ward, Attorneys

DONALD E. PROVOST
President, Stearns-Roger Corporation

HAROLD F. SILVER
President, Silver Corporation

BARRY MOREY SULLIVAN
President, Morey Realty Company

RUSSELL T. TUTT
President, El Pomar Investment Company Colorado Springs, Colorado

MAHLON T. WHITE
Southern Colorado Banker

HONORARY DIRECTORS

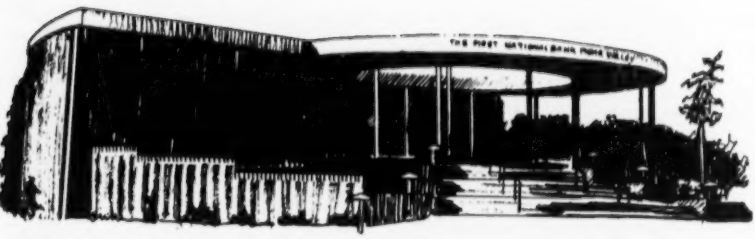
JOHN EVANS, SR.
Retired Honorary Chairman

W. C. KURTZ
President, Independent Lumber Company

JAMES A. WOODS
Fairfield and Woods, Attorneys

*Member Executive Committee

THE FIRST NATIONAL BANK OF BEAR VALLEY



CONSOLIDATED BALANCE SHEET

	DECEMBER 31	
RESOURCES	**1968**	**1967**
Cash and Due from Banks	$ 828,731	$ 638,825
U.S. Government Obligations	1,269,658	1,208,621
Obligations of States and Political Subdivisions	656,281	210,919
Federal Reserve Bank Stock	12,450	12,000
Loans	5,739,660	4,102,607
Bank Premises and Equipment	297,144	295,815
Income Earned, Uncollected	53,595	37,168
Other Assets	4,237	879
Total Resources	**$ 8,861,756**	**$ 6,506,834**
After Deduction of Loan Reserve	$ 88,103	$ 49,790
LIABILITIES		
Deposits:		
(a) Demand	$ 3,480,495	$ 2,434,680
(b) Time	4,431,721	3,257,160
Total	$ 7,912,216	$ 5,691,840
Mortgages Payable	175,000	175,000
Income Collected, Unearned	155,575	55,021
Other Liabilities	54,030	40,515
Total Liabilities	$ 8,296,821	$ 5,962,376
CAPITAL ACCOUNTS		
Equity Capital:		
Common stock: 275,000 Shares Authorized and Outstanding, Total Par Value	275,000	275,000
Surplus	140,000	130,000
Undivided Profits	149,935	139,458
Total Capital Accounts	$ 564,935	$ 544,458
Total Liabilities and Capital	**$ 8,861,756**	**$ 6,506,834**

CONSOLIDATED STATEMENT OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	1968	
OPERATING INCOME:		
Interest and Fees on Loans	$ 398,206	$
Interest and Dividends on:		
U.S. Government Obligations	60,813	
Obligations of States and Political Subdivisions	16,643	
Other	118,138	
Total	$ 593,800	$
OPERATING EXPENSES:		
Salaries and Bonuses	150,891	
Pensions, Profit Sharing, and Other Employee Benefits	15,584	
Interest on Deposits	178,509	
Interest on Borrowed Money	8,786	
Net Occupancy – Bank Premises	26,092	
Equipment Rentals, Depreciation, Maintenance	15,705	
Other	107,243	
Total	$ 502,810	$
OPERATING EARNINGS BEFORE INCOME TAX	90,990	
INCOME TAXES APPLICABLE TO OPERATING EARNINGS	19,018	
NET OPERATING EARNINGS	71,972	
Per Share (275,000 Shares)	$.262	
NON-OPERATING ADDITIONS – NET AFTER TAX EFFECT (All sundry other items)	42	
NON-OPERATING DEDUCTIONS – NET AFTER TAX EFFECT:		
Transfer to Reserve for Loan Losses	30,200	
Other	712	
Total Non-operating Deductions	$ 30,912	$
NET NON-OPERATING ADDITIONS (DEDUCTIONS)	(30,870)	
TRANSFERRED TO UNDIVIDED PROFITS	$ 41,102	$
PER SHARE (275,000 Shares)	$.149	

CONSOLIDATED RECONCILEMENT OF CAPITAL ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	1968	
BALANCE, BEGINNING OF YEAR	$ 544,458	$
Additions – Transferred from Statement of Earnings	41,102	
Deductions – Cash Dividends Declared (per Share*: 1968, $.075; 1967, $.05)	(20,625)	
BALANCE, END OF YEAR	$ 564,935	$

*275,000 Shares Outstanding

DIRECTORS

*EUGENE H. ADAMS
Chairman of the Board

BRUCE D. ALEXANDER
Senior Vice President, The First National Bank of Denver

†LEE C. ASHLEY
Senior Vice President and Cashier, The First National Bank of Denver

CLAIR A. BACON
Senior Vice President, The First National Bank of Denver

ROBERT D. BINDER
Vice President

ROBERT G. BOUCHER
Vice President, The First National Bank of Denver

EDWARD B. CLOSE, JR.
Partner, Hughes & Dorsey, Attorneys

RICHARD C. MECKLEY
President

G. M. MULLIN
Secretary-Treasurer, Hutchinson Hot

JACK M. MUSE
Assistant Vice President, The First Na Bank of Denver

THOMAS P. O'ROURKE
Vice President, The First National Ba

*Resigned February 21, 1969 †Elected Chairman of the Board, February 21, 1969

THE FIRST NATIONAL BANK OF NORTH GLENN

BALANCE SHEET

	DECEMBER 31	
RESOURCES	**1968**	**1967**
Cash and Due from Banks	$ 800,523	$ 567,325
U.S. Government Obligations	1,223,124	1,335,227
Obligations of States and Political Subdivisions	445,679	50,033
Federal Reserve Bank Stock	10,050	9,750
*Loans	4,937,011	3,648,233
Bank Premises and Equipment	155,999	109,113
Income Earned, Uncollected	49,046	27,563
Other Assets	4,691	2,731
Total Resources	**$ 7,626,123**	**$ 5,749,975**
*After Deduction of Loan Reserve	$ 54,199	$ 30,379
LIABILITIES		
Deposits:		
(a) Demand	$ 3,091,416	$ 1,973,382
(b) Time	3,878,074	3,220,617
Total	6,969,490	5,193,999
Income Collected, Unearned	120,370	61,327
Other Liabilities	52,783	41,298
Total Liabilities	$ 7,142,643	$ 5,296,624
CAPITAL ACCOUNTS		
Equity Capital		
Common Stock: 212,500 Shares Authorized and Outstanding, Total Par Value	$ 212,500	$ 212,500
Surplus	122,500	117,500
Undivided Profits	148,480	123,351
Total Capital Accounts	$ 483,480	$ 453,351
Total Liabilities and Capital	**$ 7,626,123**	**$ 5,749,975**

STATEMENT OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	1968	1967
OPERATING INCOME:		
Interest and Fees on Loans	$ 357,100	$ 299,000
Interest and Dividends on:		
U.S. Government Obligations	75,983	12,921
Obligations of States and Political Subdivisions	10,863	585
Other	150,299	123,515
Total	$ 594,245	$ 436,021
OPERATING EXPENSES:		
Salaries and Bonuses	156,125	126,788
Pensions, Profit Sharing, and Other Employee Benefits	13,866	12,294
Interest on Deposits	184,086	125,636
Net Occupancy – Bank Premises	32,692	26,966
Equipment Rentals, Depreciation, Maintenance	13,309	11,329
Other	99,963	82,078
Total	$ 500,041	$ 385,071
OPERATING EARNINGS BEFORE INCOME TAX	94,204	50,950
INCOME TAXES APPLICABLE TO OPERATING EARNINGS	24,455	19,368
NET OPERATING EARNINGS	69,749	31,582
Per Share (212,500 Shares)	$.328	$.149
NON-OPERATING ADDITIONS – NET AFTER TAX EFFECT (all sundry other items)	162	
NON-OPERATING DEDUCTIONS – NET AFTER TAX EFFECT:		
Transfer to Reserve for Loan Losses	21,375	4,742
Other	2,469	
Total Non-operating Deductions	$ 23,844	$ (4,742)
NET NON-OPERATING ADDITIONS (DEDUCTIONS)	(23,682)	(4,742)
EARNINGS BEFORE EXTRAORDINARY ITEM	46,067	26,840
EXTRAORDINARY ITEM		
Income Tax Credit Resulting from Operating Loss Carryovers		5,335
TRANSFERRED TO UNDIVIDED PROFITS	$ 46,067	$ 32,175
PER SHARE (212,500 Shares)	$.217	$.151

RECONCILEMENT OF CAPITAL ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	1968	1967
BALANCE, BEGINNING OF YEAR	$ 453,351	$ 431,801
Additions – Transferred from Statement of Earnings	46,067	32,175
Deductions – Cash Dividends Declared (Per Share*: 1968, $.075; 1967, $.05)	(15,938)	(10,625)
BALANCE, END OF YEAR	$ 483,480	$ 453,351

*212,500 Shares Outstanding

DIRECTORS

*EUGENE H. ADAMS
Chairman of the Board

BRUCE D. ALEXANDER
Senior Vice President, The First National Bank of Denver

RAYMOND B. DANKS
Partner, Hughes & Dorsey, Attorneys

DONALD FERGUSON
Secretary, Strayen Realty Corporation

GLENN R. HAEFLIGER
Vice President

CLARENCE LILLER, JR.
Senior Vice President, The First National Bank of Denver

JORDON PERLMUTTER
Vice President, Perl-Mack Homes, Inc.

ROGER W. SMITH, JR.
President, Security Title of Adams County

HAROLD C. STILLMAN, JR.
President, Western Paving Construction Company

†CARROL L. STUBBS
Senior Vice President, The First National Bank of Denver

WESLEY J. WATSON
Executive Vice President

*Resigned February 19, 1969 †Elected Chairman of the Board, February 19, 1969

HE FIRST NATIONAL BANK OF SOUTHGLENN

BALANCE SHEET

	DECEMBER 31	
ESOURCES	**1968**	**1967**
sh and Due from Banks	$ 541,050	$ 303,225
S. Government Obligations	1,204,982	1,027,985
deral Reserve Bank Stock	6,750	6,750
ans	2,468,158	1,847,657
nk Premises and Equipment	18,491	17,744
come Earned, Uncollected	23,555	15,920
her Assets	5,917	609
Total Resources	**$ 4,268,903**	**$ 3,219,890**
ter Deduction of Loan Reserve	$ 25,728	$ 13,077
ABILITIES		
posits:		
(a) Demand	$ 1,679,468	$ 1,104,353
(b) Time	2,176,245	1,743,453
Total	3,855,713	2,847,806
come Collected, Unearned	33,741	23,265
her Liabilities	25,140	18,826
Total Liabilities	$ 3,914,594	$ 2,889,897
APITAL ACCOUNTS		
uity Capital		
mmon Stock: 250,000 Shares Authorized and Outstanding, Total Par Value	125,000	125,000
rplus	100,000	100,000
divided Profits	129,309	104,993
Total Capital Accounts	$ 354,309	$ 329,993
Total Liabilities and Capital	**$ 4,268,903**	**$ 3,219,890**

STATEMENT OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1968 and 1967

	1968	1967
OPERATING INCOME:		
Interest and Fees on Loans	$ 218,087	$ 153,990
Interest and Dividends on:		
U.S. Government Obligations	17,998	10,836
Other	64,903	50,330
Total	300,988	215,156
OPERATING EXPENSES:		
Salaries and Bonuses	77,156	51,078
Pensions, Profit Sharing, and Other Employee Benefits	7,304	2,962
Interest on Deposits	90,246	65,806
Net Occupancy – Bank Premises	14,171	13,233
Equipment Rentals, Depreciation, Maintenance	9,298	6,939
Other	54,696	40,830
Total	$ 252,871	$ 180,848
OPERATING EARNINGS BEFORE INCOME TAX	48,117	34,308
INCOME TAXES APPLICABLE TO OPERATING EARNINGS	15,115	8,430
NET OPERATING EARNINGS	33,002	25,878
Per Share (250,000 Shares)	$.132	$.104
NON-OPERATING ADDITIONS – NET AFTER TAX EFFECT (All sundry other items)	519	84
NON-OPERATING DEDUCTIONS – NET AFTER TAX EFFECT:		
Transfer to Reserve for Loan Losses	8,916	2,933
Other	289	10
Total Non-operating Deductions	9,205	2,943
NET NON-OPERATING ADDITIONS (DEDUCTIONS)	(8,686)	(2,859)
EARNINGS BEFORE EXTRAORDINARY ITEM	24,316	23,019
EXTRAORDINARY ITEM Income Tax Credit Resulting from Operating Loss Carryovers		2,628
TRANSFERRED TO UNDIVIDED PROFITS	$ 24,316	$ 25,647
PER SHARE (250,000 Shares)	$.097	$.103

RECONCILEMENT OF CAPITAL ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1968 and 1967

	1968	1967
BALANCE, BEGINNING OF YEAR	$ 329,993	$ 304,346
Additions – Transferred from Statement of Earnings	24,316	25,647
BALANCE, END OF YEAR	$ 354,309	$ 329,993

DIRECTORS

EUGENE H. ADAMS
Chairman of the Board

LEE C. ASHLEY
Senior Vice President and Cashier, The First National Bank of Denver

JOSEPH B. BOYD
President

FRANK P. GARDINER
Senior Vice President, The First National Bank of Denver

GEORGE C. GIBSON
Partner, Hughes & Dorsey, Attorneys

ROBERT M. O'DONNELL
President, Harman, O'Donnell & Hennenger Associates, Inc.

JORDON PERLMUTTER
Vice President, Perl-Mack Homes, Inc.

CARROL L. STUBBS
Senior Vice President, The First National Bank of Denver

J. RODNEY UHRICH
Vice President, The First National Bank of Denver

GEORGE M. WILFLEY
President, A. R. Wilfley & Sons, Inc.

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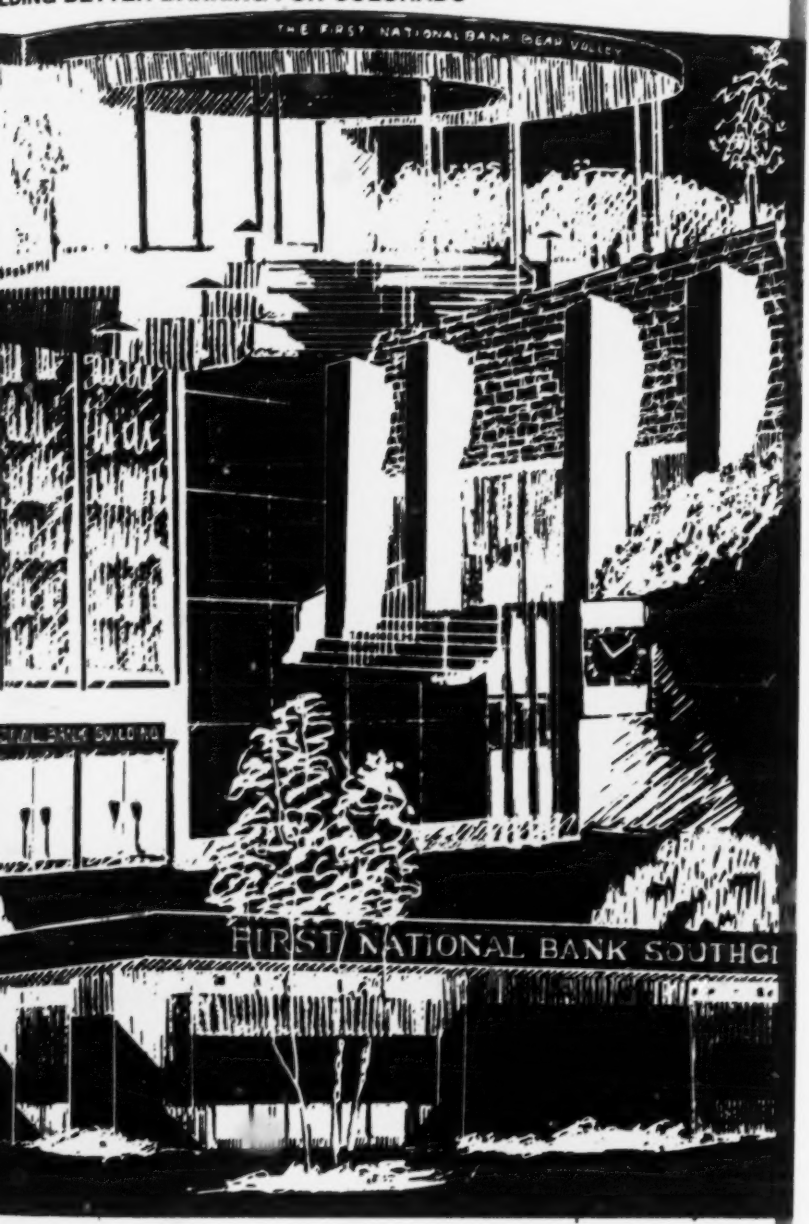
LDING BETTER BANKING FOR COLORADO



E TO EDGE

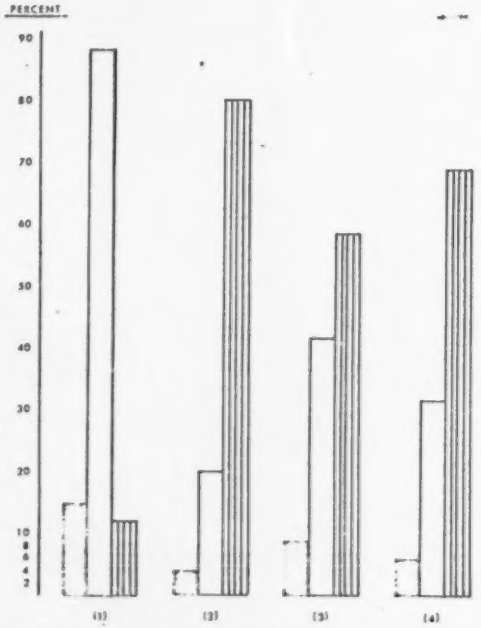
Liens Filed – Greeley's Primary Service Area
January 2, 1969 – April 30, 1969

(PERCENT OF NUMBER OF DOCUMENTS FILED)

FIRST NATIONAL - GREELEY

ALL BANKS IN GREELEY'S PRIMARY SERVICE AREA (Including First National)

NON-BANK FINANCIAL INSTITUTIONS



(1) Financing Statements - Livestock, Crops, Machinery

(2) Financing Statements - Furniture & Appliances

(3) Motor Vehicle Liens

(4) Real Estate Liens

EXHIBIT C-3

ANNUAL REPORT

The First National Bancorporation, Inc.

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TO OUR SHAREHOLDERS:

On October 18, 1968 The First National Bancorporation, Inc., which was incorporated under the laws of Colorado on December 1, 1967, had acquired through exchange of stock, controlling interests in The First National Bank of Denver and its three affiliated banks. As of October 18, 1968, the Bancorporation owned 99.67% of The First National Bank of Denver, 89.44% of The First National Bank of Bear Valley, 92.91% of The First National Bank of North Glenn, and 88.60% of The First National Bank of Southglenn.

We are confident that the multiple advantages of membership in a registered bank holding company will accrue to our four subsidiary banks and to the former stockholders in these banks who exchanged their shares.

The principal advantages of such membership are: (a) the competitive strength of the holding company itself; (b) the ability of a subsidiary bank to retain its own identity and operate autonomously as compared with a merger into a larger bank; (c) the ability of the company to generate funds for capital expansion for subsidiary banks and to provide with its own funds banking quarters for such subsidiaries; (d) the facility of extending the 109 year banking experience of The First National Bank of Denver to the other subsidiary banks; and (e) a more ready market for shares owned by the stockholders as well as diversification of banking interests.

The policy of our company is to expand as rapidly and as wisely as possible through the acquisition of other banks in Colorado (preferably banks in those growth areas where Bancorporation may make the most significant contribution to Colorado's economy and concurrently generate the highest profits for its shareholders) and through other legally permissible investments and activities.

We believe that in 1969 legislation will be passed in Congress to place one-bank holding companies under the Bank Holding Company Act of 1956 and, at the same time, expand the types of related businesses which may be organized or acquired by registered bank holding companies. The Board of Governors of The Federal Reserve System in a printed statement of principles released February 20, 1969, said, "one-bank holding companies and multi-bank holding companies should be afforded equal treatment under the law with respect to bank and non-bank acquisitions," and that "registered bank holding companies should be allowed to enter certain non-banking areas of activity, specified in statute or agency regulation, which would facilitate broader services for the public." We believe this to be a fair statement of principles and, dependent upon resulting legislation and consistent with our policies, will take advantage of each opportunity afforded us.

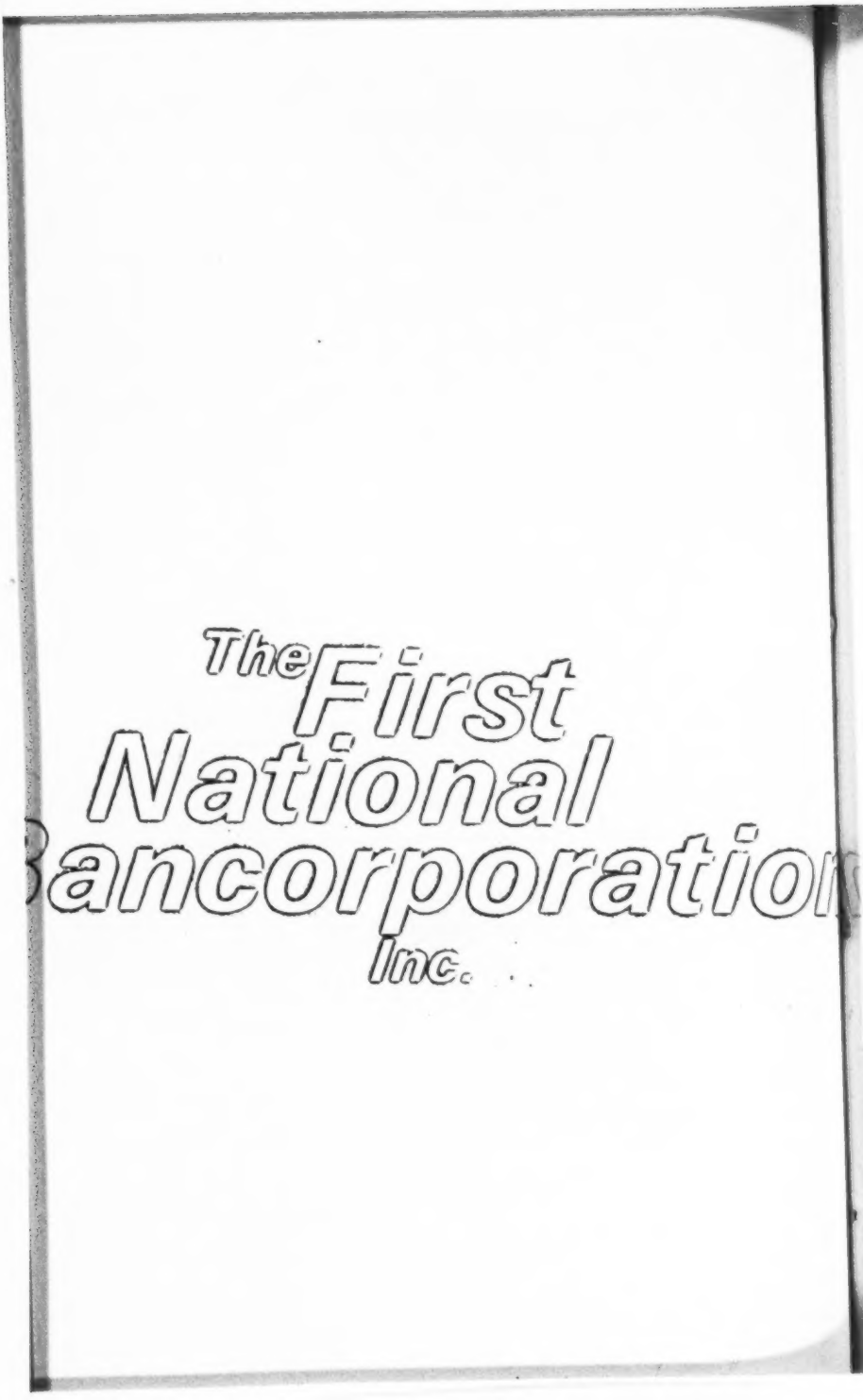
We are pleased that bank growth via the registered bank holding company route is becoming well accepted throughout Colorado as evidenced by the announcement of the proposed formation of three additional companies. Others, we know, are under consideration.

We sincerely appreciate the support of our shareholders and of the many officers and employees of the member banks. We earnestly solicit your continued support.

Sincerely,

Montgomery Dorsey
Chairman of the Board

Eugene H. Adams
President


The First
National
Bancorporation
Inc.

THE FIRST NATIONAL BANCORPORATION, INC.

CONSOLIDATED BALANCE SHEET
(UNAUDITED)

	DECEMBER 31	
RESOURCES	**1988**	**1987**
Cash and Due from Banks	$159,938,538	$144,963,993
U.S. Government Obligations (Note 2)	64,734,869	62,139,171
Obligations of States and Political Subdivisions (Note 2)	42,519,033	42,345,054
Obligations of Federal Agencies (Note 2)	6,000,000	2,000,000
Other Securities (Note 2)	950,823	948,500
Federal Funds Sold	1,400,000	2,150,000
Loans, Less Reserve for Loan Losses (Note 3)	345,678,607	298,709,319
Bank Premises and Equipment, Less Accumulated Depreciation (Note 5)	15,531,552	15,879,629
Customers' Acceptance Liability	261,237	90,983
Income Earned, Uncollected	4,834,631	4,421,814
Other Assets	4,665,015	1,372,066
Total	$646,514,305	$575,019,529
LIABILITIES		
Deposits:		
(a) Demand	$338,841,139	$300,800,830
(b) Time	230,100,382	222,328,522
Total	568,941,521	523,129,352
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	21,614,607	-0-
Funds Borrowed	185,000	-0-
Mortgages Payable (Note 6)	5,384,092	5,808,852
Acceptances Outstanding	261,237	90,983
Income Collected, Unearned	1,924,524	1,656,938
Other Liabilities	5,321,719	4,154,353
Total	603,632,700	534,840,478
Minority Interests in Subsidiary Banks	283,512	267,078
Stockholders' Equity	42,598,093	39,911,973
Total	$646,514,305	$575,019,529

See Notes to Consolidated Financial Statements

DIRECTORS

*MONTGOMERY DORSEY
Chairman of the Board, The First National Bank of Denver

*EUGENE H. ADAMS
President, The First National Bank of Denver

*BRUCE D. ALEXANDER
Senior Vice President, The First National Bank of Denver

LEE C. ASHLEY
Senior Vice President and Cashier, The First National Bank of Denver

G. B. AYDELOTT
President, The Denver and Rio Grande Western Railroad Company

RICHARD P. BROWN
Senior Vice President and Executive Trust Officer, The First National Bank of Denver

EDWARD B. CLOSE, JR.
Partner, Hughes & Dorsey, Attorneys

JOHN EVANS, JR.
President, Evans Investment Company

†FREDERICK M. FARRAR
Chairman of the Board, The First National Bank of Pueblo, Pueblo, Colorado

W. COLES HUDGINS
Executive Vice President, Mountain States Telephone and Telegraph Company

SAMUEL T. JONES
Insurance, Pueblo, Colorado

JOHN M. KING
Chairman of the Board, King Resources Company

WILLIAM H. KISTLER
President, W. H. Kistler Stationery Company

DAVIS W. MOORE
Investments

J. SIMS JORMAN, M.D.
Physician, Pueblo, Colorado

GERALD H. PHIPPS
President, Gerald H. Phipps, Inc.

*DONALD E. PROVOST
President, Stearns-Roger Corporation

BARRY MOREY SULLIVAN
President, Morey Realty Company

*RUSSELL T. TUTT
President, El Pomar Investment Company, Colorado Springs, Colorado

*WILLIAM M. WHITE, JR.
Chairman of the Board and President, Great Western United Corporation

ADVISORY DIRECTORS

JOSEPH B. BOYD
President, The First National Bank of Southglenn

RICHARD C. MECKLEY
President, The First National Bank of Bear Valley

WESLEY J. WATSON
Executive Vice President, The First National Bank of North Grand

OFFICERS

MONTGOMERY DORSEY
Chairman of the Board

EUGENE H. ADAMS
President

BRUCE D. ALEXANDER
Executive Vice President

RICHARD S. FITZGERALD
Vice President

LEE C. ASHLEY
Treasurer

EDWARD B. CLOSE, JR.
Secretary

*Member Executive Committee †Resigned January 13, 1989

CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

	FOR THE YEARS ENDED DECEMBER 31	
OPERATING INCOME:	1968	1967
Interest and Fees on Loans	$ 21,877,146	$ 17,952,142
Interest and Dividends on:		
U.S. Government Obligations	2,996,846	2,501,824
Obligations of States and Political Subdivisions	1,518,674	1,327,869
Trust Department	5,104,779	4,147,618
Other	3,552,633	2,447,009
Total	$ 35,050,078	$ 28,376,461
OPERATING EXPENSES:		
Salaries and Bonuses	7,572,287	6,544,778
Pensions, Profit Sharing and Other Employee Benefits	869,467	1,112,435
Interest on Deposits	10,575,801	8,972,309
Interest on Borrowed Money	303,065	313,152
Net Occupancy – Bank Premises	914,816	825,483
Equipment Rentals, Depreciation, Maintenance	1,606,957	1,447,970
Other	4,178,473	2,023,553
Total	26,040,866	21,239,679
OPERATING INCOME BEFORE INCOME TAX	9,009,212	7,136,782
INCOME TAXES APPLICABLE TO OPERATING INCOME	4,186,468	2,881,246
NET OPERATING INCOME BEFORE MINORITY INTEREST	4,822,744	4,255,536
MINORITY INTEREST	33,033	24,780
NET OPERATING EARNINGS	4,789,711	4,230,756
NON-OPERATING ADDITIONS (DEDUCTIONS) NET OF RELATED INCOME TAXES OF: 1968, $438,319; 1967, $340,794:		
Provision for Loan Losses (Note 3)	$ (326,699)	$ (313,175)
Net Security Losses	(63,430)	(2,423)
Other-Net	16,103	(10,115)
Minority Interest in Non-Operating Items	7,120	3,067
Net Non-Operating Deductions	(386,906)	(322,646)
NET INCOME	$ 4,402,805	$ 3,908,110
PER SHARE OF COMMON STOCK:		
Net Operating Earnings	$3.22	$2.84
Net Income	$2.96	$2.63

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY
(UNAUDITED)

	DECEMBER 31	
	1968	1967
BALANCE, January 1	$ 39,911,973	$ 37,420,993
ADDITIONS – Consolidated Net Income	4,402,805	3,908,110
DEDUCTION – Cash Dividends Declared	(1,716,685)	(1,417,130)
BALANCE, December 31	$ 42,598,093	$ 39,911,973

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1968 (UNAUDITED)

1. PRINCIPLES OF CONSOLIDATION

The acquisition of the stock of the four subsidiary banks effective October 18, 1968 has been accounted for on a pooling of interests basis. The accompanying consolidated financial statements have been prepared to reflect the merger retroactively and include the accounts of the Parent Corporation and all subsidiaries. All intercompany transactions have been eliminated.

2. SECURITIES

Investment securities are included in the balance sheet at cost, adjusted for acretion of discount and amortization of premium. The market values on December 31, 1968 were: U.S. Government Obligations, $64,195,020; Obligations of States and political subdivisions, $41,639,302; Obligations of Federal agencies, $5,908,750; Other securities, $950,823.

3. RESERVE FOR LOAN LOSSES

The provision for loan losses transferred to the reserve is based on the deduction allowable for Federal income tax return purposes and is not based on actual loan loss experience. Following is a summary of the transactions in the reserve for loan losses:

	Year ended December 31, 1968	1967
Reserve balance, January 1	$3,556,945	$2,983,745
Transfer to reserve	683,000	640,700
Total	4,239,945	3,624,445
Loans charged off, net of recoveries	519,621	67,500
Reserve balance, December 31	$3,720,324	$3,556,945

4. PENSIONS

The subsidiary banks have a noncontributory pension plan covering all regular full-time employees. The total pension expense for 1968 was $261,000 which included no amount for past service costs. No specific funding or accounting method for past service costs has been adopted, and the amount charged to expense may vary from year to year. At December 31 the unfunded value of vested benefits was approximately $3,000,000.

5. BANK PREMISES AND EQUIPMENT

	Asset	Accumulated Depreciation
Balances at December 31, 1968:		
Land	$ 486,120	
Buildings and leasehold improvements	21,311,360	$7,142,098
Furniture and equipment	2,351,456	1,475,286
Total	$24,148,936	$8,617,384

The Companies provide for depreciation of buildings and leasehold improvements on a straight line basis over estimated useful lives varying from seven to fifty years and for depreciation of furniture and equipment on straight-line and accelerated bases over estimated useful lives varying from three to forty years. Depreciation expense for 1968 totaled $904,789.

6. MORTGAGES PAYABLE

Certain properties are assigned as collateral to mortgages payable. The mortgages bear interest at rates ranging from 4¾% to 6% and are payable $175,000 each quarter, including principal and interest.

7. INCOME TAXES

Income taxes are provided based on financial accounting income adjusted for nontaxable items, such as interest on obligations of States and political subdivisions. The current year's provision has been reduced by investment credits of $20,391 currently allowable on the Federal income tax return. There are no unused investment credits available to offset income taxes of future years.

THE FIRST NATIONAL BANCORPORATION, INC.

BALANCE SHEET, DECEMBER 31, 1968
(PARENT COMPANY ONLY)

ASSETS		
CURRENT ASSETS – Cash		$ 44,773
INVESTMENT IN STOCK OF SUBSIDIARY BANKS – Representing the Company's interest in the underlying net assets:	Percent Owned	
The First National Bank of Denver	99.64%	41,230,114
The First National Bank of Bear Valley	89.44%	505,278
The First National Bank of North Glenn	92.91%	441,209
The First National Bank of Southglenn	98.60%	313,918
OTHER – Stock issuance and organization expense (less amortization of $2,292)		187,010
TOTAL		$42,785,243
LIABILITIES		
CURRENT LIABILITIES – Accrued interest and taxes		$ 2,150
NOTE PAYABLE – Due October 31, 1971, interest payable quarterly at prime rate		185,000
STOCKHOLDERS' EQUITY:		
Common stock, $10 par value; authorized, 3,500,000 shares; issued and outstanding, 1,488,585	$14,885,850	
Paid-in surplus	27,154,577	
Retained earnings	557,666	
Stockholders' equity		42,598,093
TOTAL		$42,785,243

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE PERIOD FROM OCTOBER 18, 1968 TO DECEMBER 31, 1968
(PARENT COMPANY ONLY)

INCOME FROM SUBSIDIARY BANKS:		
Cash dividends		$ 546,404
Equity in undistributed earnings since acquisition		530,233
Management and service fees		24,000
TOTAL		1,100,637
EXPENSES:		
Services purchased from The First National Bank of Denver	$6,891	
Directors' fees	2,500	
Association dues	2,341	
Amortization	2,292	
Interest	1,320	
Other	5,792	
TOTAL		$ 21,136
INCOME BEFORE INCOME TAXES		1,079,501
PROVISION FOR INCOME TAXES		830
NET INCOME		1,078,671
CASH DIVIDENDS PAID		521,005
RETAINED EARNINGS, DECEMBER 31, 1968		$ 557,666

NOTE: The Company began operations October 18, 1968 upon exchange of its stock for stock of the subsidiary banks.

ACCOUNTANTS' OPINION

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

610 SEVENTEENTH STREET
DENVER 80202

OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders
of The First National Bancorporation, Inc.:

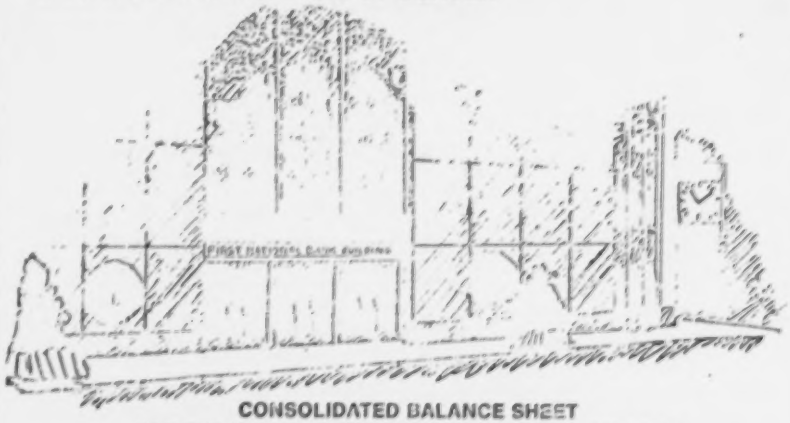
We have examined the balance sheet of The First National Bancorporation, Inc. (Parent Company only - a Colorado Corporation) as of December 31, 1968, and the related statement of income and retained earnings for the period from October 18, 1968 (date commenced operations) to December 31, 1968. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except that we have not examined the financial statements of the subsidiary banks.

Inasmuch as we have not examined the financial statements of the subsidiary banks, and the Company's investment in these banks constitutes the major part of its assets and the source of the major part of its income, we are unable to express an opinion on the accompanying Parent Company only financial statements taken as a whole (nor does our opinion, expressed below, extend to amounts included in the financial statement captions entitled "Investment in stock of subsidiary banks" and "Equity in undistributed earnings since acquisition" or the effect of transactions therein on net income and retained earnings). However, in our opinion, the accompanying Parent Company only balance sheet presents fairly in all material respects the other assets and liabilities of the Company as of December 31, 1968, and the accompanying statement of income and retained earnings presents fairly in all material respects the other income and expenses of the Company for the period from October 18, 1968 to December 31, 1968, in conformity with generally accepted accounting principles consistently applied.

Haskins & Sells

Denver, Colorado,
February 10, 1969

THE FIRST NATIONAL BANK OF DENVER



CONSOLIDATED BALANCE SHEET
FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	DECEMBER 31	
RESOURCES	**1968**	**1967**
Cash and Due from Banks	$157,769,234	$143,454,618
U.S. Government Obligations	61,037,105	58,567,308
Obligations of States and Political Subdivisions	41,417,073	42,084,102
Obligations of Federal Agencies	6,000,000	2,000,000
Other Securities	921,573	920,000
Federal Funds Sold	1,400,000	2,150,000
*Loans	332,703,778	289,284,822
Bank Premises and Equipment	15,059,918	15,456,957
Customers' Acceptance Liability	261,237	99,993
Income Earned, Uncollected	4,703,435	4,341,163
Other Assets	4,466,160	1,355,697
Total Resources	$625,750,513	$559,705,640
*After Deduction of Loan Reserve	$ 3,502,294	$ 3,463,599
LIABILITIES		
Deposits:		
(a) Demand	$330,634,493	$295,288,415
(b) Time	219,614,342	214,107,292
Total	550,248,835	509,395,707
Federal Funds Purchased and Securities Sold Under Agreement to Repurchase	21,614,607	-0-
Mortgages Payable	5,384,092	5,809,452
Acceptances Outstanding	261,237	99,993
Income Collected, Unearned	1,814,838	1,517,325
Other Liabilities	5,187,616	4,053,714
Total Liabilities	$584,311,215	$520,836,561
CAPITAL ACCOUNTS		
Equity Capital:		
Common Stock: 500,000 Shares Authorized and Outstanding, Total Par Value	$ 10,000,000	$ 10,000,000
Surplus	20,000,000	20,000,000
Undivided Profits	11,439,298	8,868,079
Total Capital Accounts	$ 41,439,298	$ [illegible]
Total Liabilities and Capital	$625,750,513	$ [illegible]

THE FIRST NATIONAL BANK OF DENVER

CONSOLIDATED STATEMENT OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	DECEMBER 31	
	1968	1967
OPERATING INCOME:		
Interest and Fees on Loans	$ 20,912,503	$ 17,204,522
Interest and Dividends on:		
U.S. Government Obligations	2,842,052	2,465,723
Obligations of States and Political Subdivisions	1,491,168	1,325,226
Service Charges on Deposit Accounts	857,445	829,146
Trust Department	5,104,779	4,147,618
Other	2,454,636	1,423,418
Total	33,662,583	27,395,653
OPERATING EXPENSES:		
Salaries and Bonuses	7,188,115	6,262,810
Pensions, Profit Sharing, and Other Employee Benefits	852,713	1,085,050
Interest on Deposits	10,122,960	8,662,381
Interest on Borrowed Money	301,709	313,152
Net Occupancy – Bank Premises	841,861	760,507
Equipment Rentals, Depreciation, Maintenance	1,568,645	1,418,419
Other	4,013,543	1,900,292
Total	24,889,546	20,402,621
OPERATING EARNINGS BEFORE INCOME TAX	8,773,037	6,993,032
INCOME TAXES APPLICABLE TO OPERATING EARNINGS	4,127,050	2,840,458
NET OPERATING EARNINGS	4,645,987	4,152,574
Per Share (500,000 Shares)	$9.29	$8.31
NON-OPERATING ADDITIONS – NET AFTER TAX EFFECT:		
(All sundry other items)	38,825	12,940
NON-OPERATING DEDUCTIONS – NET AFTER TAX EFFECT:		
Net Security Losses	83,430	2,423
Transfer to Reserve for Loan Losses	265,208	293,280
Other	19,975	22,987
Total Non-operating Deductions	369,613	318,690
NET NON-OPERATING ADDITIONS (DEDUCTIONS)	(330,788)	(305,750)
TRANSFERRED TO UNDIVIDED PROFITS	$ 4,315,199	$ 3,846,824
PER SHARE (500,000 Shares)	$8.63	$7.69

CONSOLIDATED RECONCILEMENT OF CAPITAL ACCOUNTS FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	1968	1967
BALANCE, BEGINNING OF YEAR	$ 38,839,099	$ 36,392,275
Additions – Transferred from Statement of Earnings	4,315,199	3,846,824
Deductions – Cash Dividends Declared (per Share*: 1968, $3.43; 1967, $2.80)	(1,715,000)	(1,400,000)
BALANCE, END OF YEAR	$ 41,439,298	$ 38,839,099

*500,000 Shares Outstanding

DIRECTORS

*EUGENE H. ADAMS
President

*G. B. AYDELOTT
President, The Denver and Rio Grande Western Railroad Company

SIDNEY L. BROCK, JR.
Retired Senior Vice President

*RICHARD P. BROWN
Senior Vice President and Executive Trust Officer

THEODORE D. BROWN
President, Security State Bank Sterling, Colorado

ROBERT L. CAMPBELL
Vice President, Safeway Stores, Inc.

CLARENCE J. DALY
President, Daly Companies

*MONTGOMERY DORSEY
Chairman of the Board

JOHN EVANS, JR.
President, Evans Investment Company

JOHN A. FERGUSON, JR.
President, Stevens Realty Corporation

*W. COLES HUGGINS
Executive Vice President, Mountain States Telephone and Telegraph Company

FRANK A. KEMP *
Retired Chairman of the Board, The Great Western Sugar Company

*JOHN M. KING
Chairman, King Resources Company

WILLIAM H. KISTLER
President, W. H. Kistler Stationery Company

DAVIS W. MOORE
Investments

HUDSON MOORE, JR.
President, Walter S. Cheesman Realty Company

AKSEL NIELSEN
Chairman of the Board, Mortgage Investments Company

J. SIMS NORMAN, M.D.
Physician, Pueblo, Colorado

GERALD H. PHIPPS
President, Gerald H. Phipps, Inc.

WALTER J. PREDOVICH
Predovich and Ward, Attorneys

DONALD E. PROVOST
President, Stearns-Roger Corporation

HAROLD F. SILVER
President, Silver Corporation

BARRY MOREY SULLIVAN
President, Morey Realty Company

RUSSELL T. TUTT
President, El Paso Investment Company, Colorado Springs, Colorado

MAHLON T. WHITE
Southern Colorado Banker

HONORARY DIRECTORS

JOHN EVANS, SR.
Retired Honorary Chairman

W. C. KURTZ
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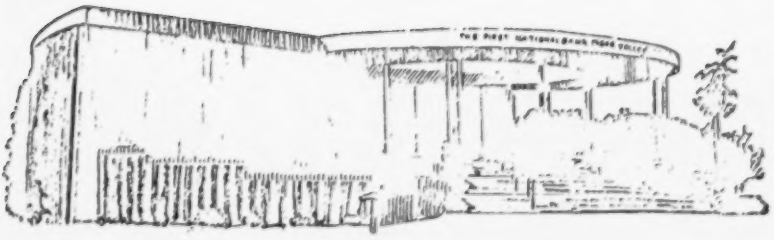
JAMES A. WOODS
Fairfield and Woods, Attorneys

*Member Executive Committee

THE FIRST NATIONAL BANK OF BEAR VALLEY



CONSOLIDATED BALANCE SHEET

	DECEMBER 31 1968	1967
RESOURCES		
Cash and Due from Banks	$ 828,731	$ 638,625
U.S. Government Obligations	1,269,658	1,208,621
Obligations of States and Political Subdivisions	656,281	210,919
Federal Reserve Bank Stock	12,450	12,000
*Loans	5,739,660	4,102,607
Bank Premises and Equipment	297,144	295,815
Income Earned, Uncollected	53,595	37,168
Other Assets	4,237	879
Total Resources	$ 8,861,756	$ 6,506,634
*After Deduction of Loan Reserve	$ 88,103	$ 49,790
LIABILITIES		
Deposits:		
(a) Demand	$ 3,480,495	$ 2,434,680
(b) Time	4,431,721	3,257,160
Total	$ 7,912,216	$ 5,691,840
Mortgages Payable	175,000	175,000
Income Collected, Unearned	155,575	55,021
Other Liabilities	54,030	40,515
Total Liabilities	$ 8,295,821	$ 5,962,376
CAPITAL ACCOUNTS		
Equity Capital:		
Common stock: 275,000 Shares Authorized and Outstanding, Total Par Value	275,000	275,000
Surplus	140,000	130,000
Undivided Profits	149,935	131,458
Total Capital Accounts	$ 564,935	$ 544,458
Total Liabilities and Capital	$ 8,861,756	$ 6,506,834

THE FIRST NATIONAL BANK OF BEAR VALLEY

CONSOLIDATED STATEMENT OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	1968	1967
OPERATING INCOME:		
Interest and Fees on Loans	$ 398,206	$ 302,686
Interest and Dividends on:		
U.S. Government Obligations	60,813	12,749
Obligations of States and Political Subdivisions	16,643	1,653
Other	118,138	89,252
Total	$ 593,800	$ 406,340
OPERATING EXPENSES:		
Salaries and Bonuses	150,891	104,122
Pensions, Profit Sharing, and Other Employee Benefits	15,584	12,119
Interest on Deposits	178,509	118,485
Interest on Borrowed Money	8,786	8,750
Net Occupancy – Bank Premises	26,092	24,777
Equipment Rentals, Depreciation, Maintenance	15,705	11,283
Other	107,243	68,312
Total	$ 502,810	$ 347,848
OPERATING EARNINGS BEFORE INCOME TAX	90,990	58,492
INCOME TAXES APPLICABLE TO OPERATING EARNINGS	19,018	20,953
NET OPERATING EARNINGS	71,972	37,539
Per Share (275,000 Shares)	$.262	$.137
NON-OPERATING ADDITIONS – NET AFTER TAX EFFECT		
(All sundry other items)	42	
NON-OPERATING DEDUCTIONS – NET AFTER TAX EFFECT:		
Transfer to Reserve for Loan Losses	30,200	12,220
Other	712	143
Total Non-operating Deductions	$ 30,912	$ 12,363
NET NON-OPERATING ADDITIONS (DEDUCTIONS)	(30,870)	(12,363)
TRANSFERRED TO UNDIVIDED PROFITS	$ 41,102	$ 25,176
PER SHARE (275,000 Shares)	$.149	$.092

CONSOLIDATED RECONCILEMENT OF CAPITAL ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	1968	1967
BALANCE, BEGINNING OF YEAR	$ 544,458	$ 533,032
Additions – Transferred from Statement of Earnings	41,102	25,176
Deductions – Cash Dividends Declared (per Share*):		
1968, $.075; 1967, $.05)	(20,625)	(13,750)
BALANCE, END OF YEAR	$ 564,935	$ 544,458

*275,000 Shares Outstanding

DIRECTORS

*EUGENE H. ADAMS
Chairman of the Board

BRUCE D. ALEXANDER
Senior Vice President, The First National Bank of Denver

ILLE C. ASHLEY
Senior Vice President and Cashier, The First National Bank of Denver

CLAIR A. BACON
Senior Vice President, The First National Bank of Denver

ROBERT D. BINDER
Vice President

ROBERT G. BOULDER
Vice President, The First National Bank of Denver

EDWARD B. CLOSE, JR.
Partner, Hughes & Dorsey, Attorneys

RICHARD C. MECKLEY
President

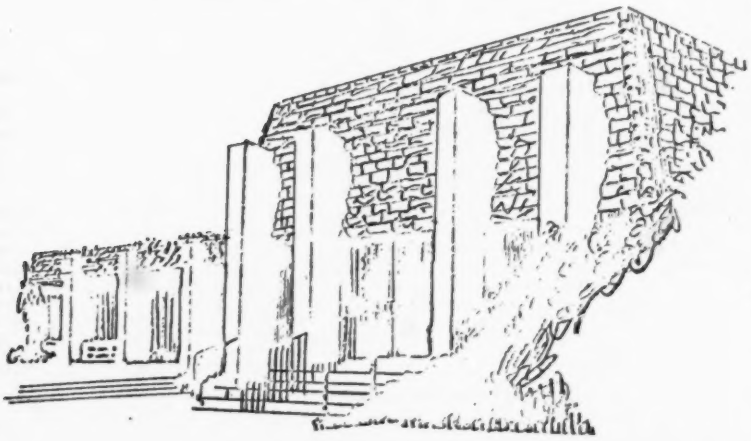
G. M. MULLIN
Secretary-Treasurer, Hutchinson Homes, Inc.

JACK M. MUSE
Assistant Vice President, The First National Bank of Denver

THOMAS P. O'ROURKE
Vice President, The First National Bank of Denver

*Resigned February 21, 1969 †Elected Chairman of the Board

THE FIRST NATIONAL BANK OF NORTH GLENN



BALANCE SHEET

	DECEMBER 31 1968	1967
RESOURCES		
Cash and Due from Banks	$ 800,523	$ 567,325
U.S. Government Obligations	1,223,124	1,335,227
Obligations of States and Political Subdivisions	445,679	50,033
Federal Reserve Bank Stock	10,050	9,750
*Loans	4,937,011	3,648,233
Bank Premises and Equipment	155,999	109,113
Income Earned, Uncollected	49,046	27,563
Other Assets	4,691	2,731
Total Resources	$ 7,626,123	$ 5,749,975
*After Deduction of Loan Reserve	$ 54,199	$ 30,379
LIABILITIES		
Deposits:		
(a) Demand	$ 3,091,416	$ 1,973,382
(b) Time	3,878,074	3,220,617
Total	6,969,490	5,193,999
Income Collected, Unearned	120,370	61,327
Other Liabilities	52,783	41,298
Total Liabilities	$ 7,142,643	$ 5,296,624
CAPITAL ACCOUNTS		
Equity Capital		
Common Stock: 212,500 Shares Authorized and Outstanding, Total Par Value	$ 212,500	$ 212,500
Surplus	122,500	117,500
Undivided Profits	148,480	123,351
Total Capital Accounts	$ 483,480	$ 453,351
Total Liabilities and Capital	$ 7,626,123	$ 5,749,975

THE FIRST NATIONAL BANK OF NORTH GLENN

STATEMENT OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	1968	1967
OPERATING INCOME:		
Interest and Fees on Loans	$ 357,100	$ 299,000
Interest and Dividends on:		
U.S. Government Obligations	75,983	12,921
Obligations of States and Political Subdivisions	10,863	585
Other	150,299	123,515
Total	$ 594,245	$ 436,021
OPERATING EXPENSES:		
Salaries and Bonuses	156,125	126,768
Pensions, Profit Sharing, and Other Employee Benefits	13,866	12,294
Interest on Deposits	184,086	125,636
Net Occupancy – Bank Premises	32,692	26,966
Equipment Rentals, Depreciation, Maintenance	13,309	11,329
Other	99,963	82,078
Total	$ 500,041	$ 385,071
OPERATING EARNINGS BEFORE INCOME TAX	94,204	50,950
INCOME TAXES APPLICABLE TO OPERATING EARNINGS	24,455	19,368
NET OPERATING EARNINGS	69,749	31,582
Per Share (212,500 Shares)	$.328	$.148
NON-OPERATING ADDITIONS – NET AFTER TAX EFFECT (all sundry other items)	162	
NON-OPERATING DEDUCTIONS – NET AFTER TAX EFFECT:		
Transfer to Reserve for Loan Losses	21,375	4,742
Other	2,469	
Total Non-operating Deductions	$ 23,844	$ (4,742)
NET NON-OPERATING ADDITIONS (DEDUCTIONS)	(23,682)	(4,742)
EARNINGS BEFORE EXTRAORDINARY ITEM	46,067	26,840
EXTRAORDINARY ITEM		
Income Tax Credit Resulting from Operating Loss Carryovers		5,335
TRANSFERRED TO UNDIVIDED PROFITS	$ 46,067	$ 32,175
PER SHARE (212,500 Shares)	$.217	$.151

RECONCILEMENT OF CAPITAL ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	1968	1967
BALANCE, BEGINNING OF YEAR	$ 453,351	$ 431,801
Additions – Transferred from Statement of Earnings	46,067	32,175
Deductions – Cash Dividends Declared (Per Share*: 1968, $.075; 1967, $.05)	(15,938)	(10,625)
BALANCE, END OF YEAR	$ 483,480	$ 453,351

*212,500 Shares Outstanding

DIRECTORS

*EUGENE H. ADAMS
Chairman of the Board

BRUCE D. ALEXANDER
Senior Vice President, The First National Bank of Denver

RAYMOND B. DANKS
Partner, Hughes & Dorsey, Attorneys

DONALD FERGUSON
Secretary, Strawn Realty Corporation

GLENN R. HAEFLIGER
Vice President

CLARENCE LILLER, JR.
Senior Vice President, The First National Bank of Denver

JORDON PERLMUTTER
Vice President, Perl-Mack Homes, Inc.

ROGER W. SMITH, JR.
President, Security Title of Adams County

HAROLD C. STILLMAN, JR.
President, Western Paving Construction Company

†CARROL L. STUBBS
Senior Vice President, The First National Bank of Denver

WESLEY J. WATSON
Executive Vice President

*Resigned February 19, 1969 †Elected Chairman of the Board, February 19, 1969

THE FIRST NATIONAL BANK OF SOUTHGLENN

BALANCE SHEET

	DECEMBER 31	
RESOURCES	**1968**	**1967**
Cash and Due from Banks	$ 541,050	$ 303,...
U.S. Government Obligations	1,204,982	1,027,985
Federal Reserve Bank Stock	6,750	6,750
*Loans	2,468,158	1,847,657
Bank Premises and Equipment	18,491	17,744
Income Earned, Uncollected	23,555	15,920
Other Assets	5,917	609
Total Resources	$ 4,268,903	$ 3,219,850
*After Deduction of Loan Reserve	$ 25,728	$ 13,077
LIABILITIES		
Deposits:		
(a) Demand	$ 1,679,468	$ 1,104,353
(b) Time	2,176,245	1,743,453
Total	3,855,713	2,847,806
Income Collected, Unearned	33,741	23,265
Other Liabilities	25,140	18,826
Total Liabilities	$ 3,914,594	$ 2,889,897
CAPITAL ACCOUNTS		
Equity Capital		
Common Stock: 250,000 Shares Authorized and Outstanding, Total Par Value	125,000	125,000
Surplus	100,000	100,000
Undivided Profits	129,309	104,993
Total Capital Accounts	$ 354,309	$ 329,993
Total Liabilities and Capital	$ 4,268,903	$ 3,219,890

THE FIRST NATIONAL BANK OF SOUTHGLENN

STATEMENT OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1968 and 1967

	1968	1967
OPERATING INCOME:		
Interest and Fees on Loans	$ 218,087	$ 153,990
Interest and Dividends on:		
U.S. Government Obligations	17,998	10,836
Other	64,903	50,330
Total	300,988	215,156
OPERATING EXPENSES:		
Salaries and Bonuses	77,156	51,078
Pensions, Profit Sharing, and Other Employee Benefits	7,304	2,962
Interest on Deposits	90,246	65,836
Net Occupancy – Bank Premises	14,171	13,233
Equipment Rentals, Depreciation, Maintenance	9,298	6,039
Other	54,696	40,830
Total	$ 252,871	$ 180,848
OPERATING EARNINGS BEFORE INCOME TAX	48,117	34,308
INCOME TAXES APPLICABLE TO OPERATING EARNINGS	15,115	8,430
NET OPERATING EARNINGS	33,002	25,878
Per Share (250,000 Shares)	$.132	$.104
NON-OPERATING ADDITIONS – NET AFTER TAX EFFECT (All sundry other items)	519	84
NON-OPERATING DEDUCTIONS – NET AFTER TAX EFFECT:		
Transfer to Reserve for Loan Losses	8,916	2,933
Other	289	10
Total Non-operating Deductions	9,205	2,943
NET NON-OPERATING ADDITIONS (DEDUCTIONS)	(8,686)	(2,859)
EARNINGS BEFORE EXTRAORDINARY ITEM	24,316	23,019
EXTRAORDINARY ITEM Income Tax Credit Resulting from Operating Loss Carryovers		2,628
TRANSFERRED TO UNDIVIDED PROFITS	$ 24,316	$ 25,647
PER SHARE (250,000 Shares)	$.097	$.103

RECONCILEMENT OF CAPITAL ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1968 and 1967

	1968	1967
BALANCE, BEGINNING OF YEAR	$ 329,993	$ 304,346
Additions – Transferred from Statement of Earnings	24,316	25,647
BALANCE, END OF YEAR	$ 354,309	$ 329,993

DIRECTORS

EUGENE H. ADAMS
Chairman of the Board

LEL C. ASHLEY
Senior Vice President and Cashier, The First National Bank of Denver

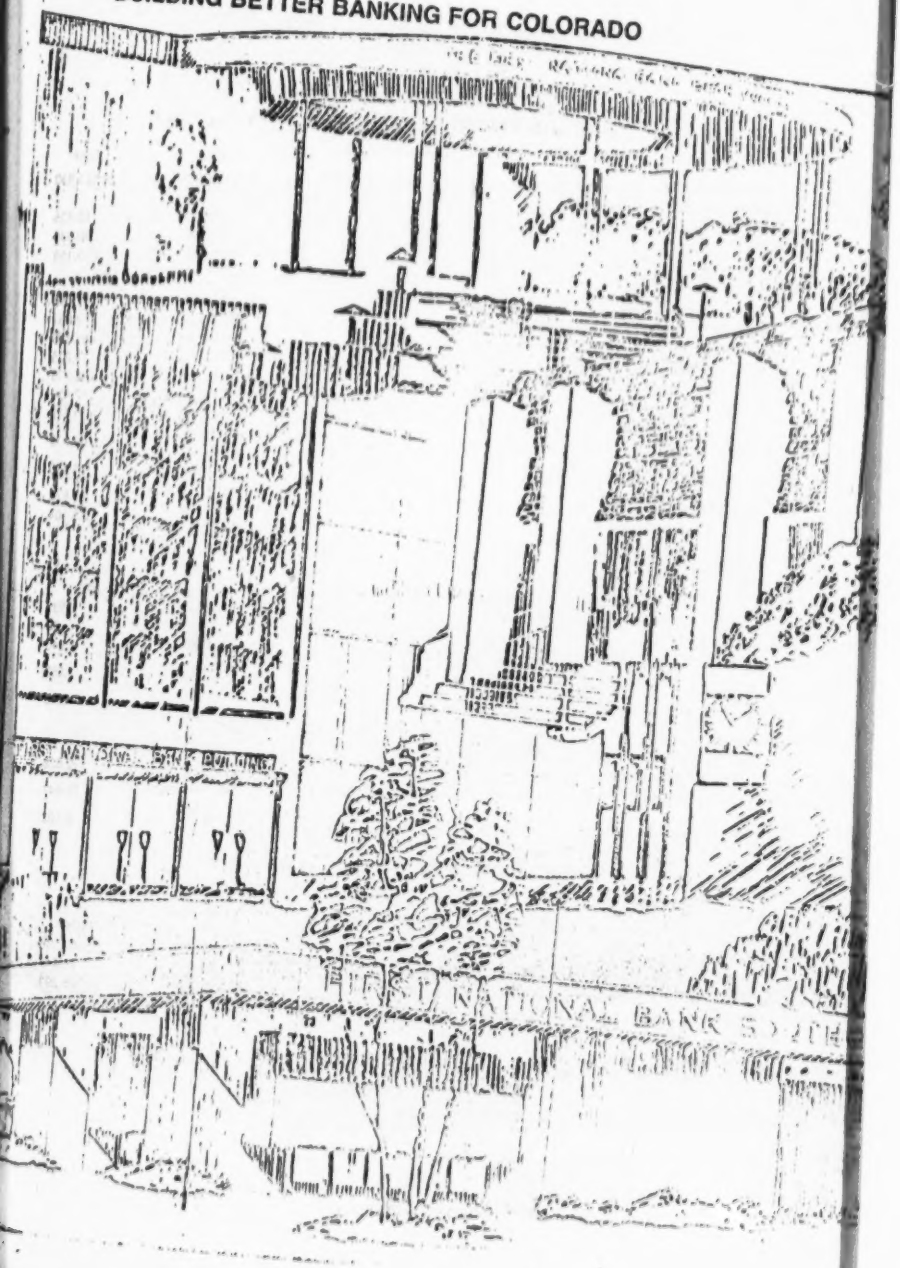
FRANK P. GARDINER
Senior Vice President, The First National Bank of Denver

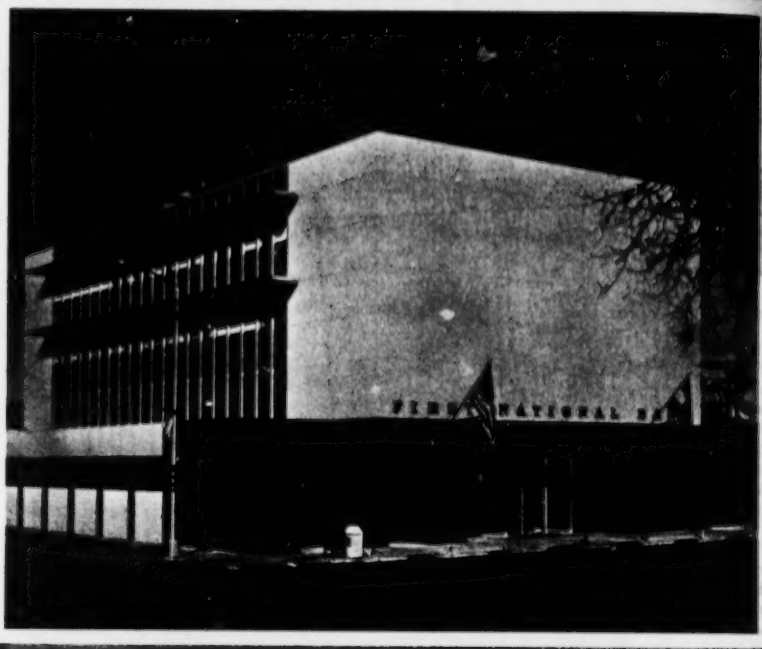
GEORGE C. GIBSON
Partner, Hughes & Dorsey, Attorneys

ROBERT M. O'DONNELL
Partner, Harman, O'Donnell & Hennagen Associates, Inc.

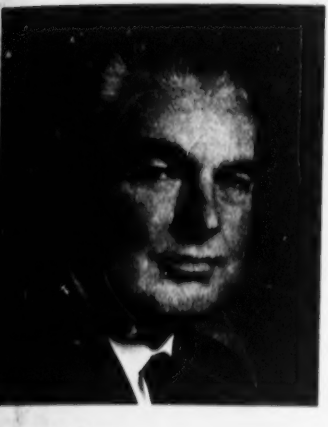
CARROL L. STUBBS
Senior Vice President, The First National Bank of Denver

J. RODNEY UHRICH
Vice President, The First National Bank of Denver





PRESIDENT'S LETTER TO THE SHAREHOLDERS



)ur Shareholders:

t is my pleasure to report to you that your has had another extremely successful year. ou will note later on in this report, detailed es are presented for your review pertaining 68 as well as important data pertaining to years. Significantly, however, I would like ecifically report that net operating earnings all taxes and expenses were $3.29 per share on 150,000 shares outstanding. This com- very favorably with prior years.

or many years, this bank's accounting has done on a strictly cash basis; however, we ow in the process of converting our major e and expense items to an accrual basis as ms of providing more meaningful compari- between accounting periods, with the goal of eting the conversion during 1969. As a part is, the Reconcilement of Capital Accounts elsewhere in this report shows that interest d on Commercial Loans at close of business mber 31, 1967, but computed after the end year and amounting to $233,712.00, was to Undivided Profits in 1968.

r the year 1968, our bank paid to its share- s a total of $186,000.00 in cash dividends, rst dividend of $.30 being paid on 120,000 , second and third dividends of $.30 each being paid on 150,000 shares and a $.40 dividend paid on the 15th of December on 150,000 shares.

Effective the first of April 1968, you received a 25 per cent stock dividend which increased the capital of your bank from $1,200,000.00 to $1,500,000.00. This is consistent with your bank's desire to be evermindful of the need for periodic increases in our capital structure to enable us to properly service the increasing demands of our fine borrowing accounts.

The staff of your bank continues to grow, and as President I am extremely proud of the fine efforts put forth by all of our staff members during the past year. Actually, in any organization of our size, there are changes. And though we regret having some of our older staff members leave us, we recognize that circumstances frequently dictate these changes. In this regard, I wish to report that Charles G. Carlson resigned as Vice President of the bank effective October 1, 1968. Chuck now represents the B. J. Lind & Company out of Chicago, dealing in the commodities market with his office located in the Producers' Livestock Sale Building. Mrs. LoRee Riggs, who had been with the bank for fourteen years, Mrs. Dorothy Blehm, who had been with the bank for twelve years, and Mrs. Leona Plowman, who had been with the bank for eleven years, all resigned during 1968 to spend more time at home. We are sorry to lose the people mentioned as well as other staff members with shorter tenure, but know that we have obtained excellent replacements who will serve you equally well.

I would like to announce that Mr. James B. Gronstal, formerly Executive Vice President of The First National Bank of Fort Morgan, joined our staff in October of 1968 as a Commercial Loan Officer. We feel very fortunate to have someone with Jim's lifetime background in the banking business now associated with our bank and available to serve you and our many customers.

As many of you may have observed and as is more fully explained later on in this report, your bank has embarked upon a major remodeling, redecorating and renovation program. We are looking forward to the end results when this period of inconvenience is ended and know that you will

be proud of the changes that are being made in our banking quarters.

1968 was certainly an interesting year in the banking industry. Money market fluctuations were extreme. Money costs reached all time high levels, necessitating many changes in interest rates to borrowing accounts, as well as many changes in the bank's investment account in government and municipal bonds.

Predictions for 1969, at this point, appear to be unsettled with the very real possibility that these rates may increase beyond present levels. We recognize that this certainly puts a squeeze on local businessmen, local feeders, and local farmers. As their costs rise, the ability to realize a reasonable profit in their operations decreases. This same situation is true in the banking industry. With inflationary trends as they were in 1968 of approximately 4.2% for the year and at an annual level in excess of that during the last three months of 1968, operating costs increased proportionately. As each of you is well aware, all of the operating costs within the banking business are rising as rapidly as in most other businesses. This requires a reassessment of reasonable charges for our services, as well as proper lending rates in order to provide the additional revenue necessary to cover these increased costs.

The bank's staff is well aware of these problems and will do everything possible to offer the best service and advice to assist our customers in making sound financial decisions.

As everyone in the community knows, the relocation of a major Eastman Kodak facility south of Windsor, should have tremendous impact upon the economy of northern Colorado. We are eagerly awaiting the development of this facility and hope to be of service to all of those associated with this fine company.

Speaking on behalf of your Board of Directors and your bank's staff, I wish to thank you for the help you have given us during the past year.

We are looking forward to 1969, and again solicit your suggestions on ways we can improve our services. We further hope that you will recommend The First National Bank to your friends, business associates, and new citizens and businesses locating in our area. Our desire is to provide safe, competent, full-service banking to Greeley and northern Colorado.

Our sincerest wishes for a very successful 196

Sincerely,

Robert M. Gilbert

ROBERT M. GILBERT
President

Bank FIRST *... Right Now!*

BALANCE SHEET

December 31

	[illegible]	1967
RESOURCES		
Cash and due from banks	$ [illegible]	$ 6,229,004
United States Government obligations	[illegible]	4,068,309
Obligations of States and political subdivisions	[illegible]	6,659,838
Other securities	[illegible]	75,000
Loans, less reserve for loan losses	[illegible]	23,016,412
Bank premises and equipment	[illegible]	913,843
Other Assets	[illegible]	123,614
Total Resources	$ [illegible]	$ 41,086,020
LIABILITIES		
Demand deposits	$ [illegible]	$ 15,101,800
Time deposits	[illegible]	20,681,356
Total deposits	[illegible]	35,783,156
Federal Funds purchased	[illegible]	1,000,000
Other Liabilities	[illegible]	409,394
Total Liabilities	$ [illegible]	$ 37,192,550
CAPITAL ACCOUNTS		
Capital Stock — common — total par value (150,000 shares authorized and outstanding at end of 1968)	$ [illegible]	$ 1,200,000
Surplus	[illegible]	1,500,000
Undivided Profits	[illegible]	1,193,470
Total Capital Accounts	$ [illegible]	$ 3,893,470
TOTAL LIABILITIES AND CAPITAL	$ [illegible]	$ 41,086,020

Use Your BankAmericard

STATEMENT OF EARNINGS

	1967
OPERATING INCOME	
Interest and fees on loans	$ 1,601,746
Interest and dividends on	
U.S. Government Obligations	161,178
Obligations of States and political subdivisions	171,620
Other securities	4,500
Service charges on deposit accounts	111,547
Trust Department	64,572
Other operating income	77,261
Total operating income	$ 2,192,434
OPERATING EXPENSES	
Salaries and bonuses	$ 407,782
Pensions, profit sharing, and other employee benefits	79,366
Interest on deposits	856,704
Interest on borrowed money	1,775
Net occupancy — bank premises	57,352
Equipment rentals, depreciation, maintenance	28,823
Other operating expense	209,297
Total operating expense	$ 1,641,106
OPERATING EARNINGS BEFORE INCOME TAXES	$ 551,328
INCOME TAXES APPLICABLE TO OPERATING EARNINGS	$ 181,346
NET OPERATING EARNINGS	$ 369,982
Per share	$5.08
NON-OPERATING ADDITIONS, NET AFTER TAX EFFECT	
Net security profits	$ 64,662
Loan recoveries not credited to reserve	452
Other	20,016
	$ 85,130
NON-OPERATING DEDUCTIONS, NET AFTER TAX EFFECT	
Transfer to reserve for Loan Losses	$ 42,686
Other	1,529
	$ 44,215
NET NON-OPERATING ADDITIONS (DEDUCTIONS)	$ 40,915
TRANSFERRED TO UNDIVIDED PROFITS	$ 410,897

Complete Trust Service

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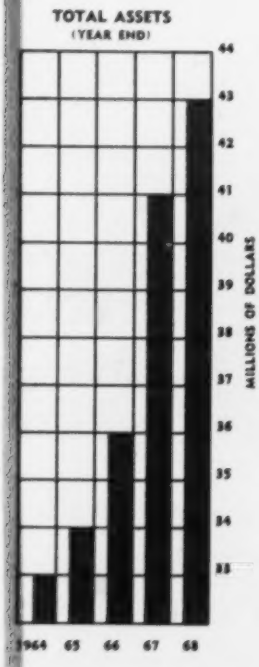
RECONCILEMENT OF CAPITAL ACCOUNTS

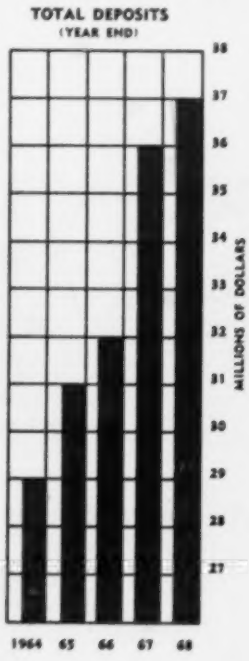
	1967
Balance, beginning of the year	$ 3,662,573
Additions:	
Transferred from Statement of Earnings	410,897
Commercial Loan interest accrued 12-31-67 calculated after close of the year and transferred to Undivided Profits in 1968	
Deductions:	
Cash Dividends declared:	
1967: $1.50 per share on 120,000 shares	180,000
1968: $0.30 per share on 120,000 shares $1.00 per share on 150,000 shares	
Balance, end of the year	$ 3,893,470

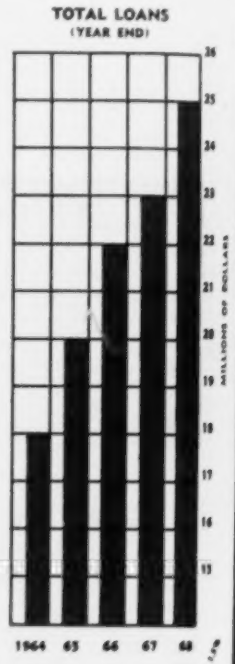
RECONCILEMENT OF VALUATION RESERVES

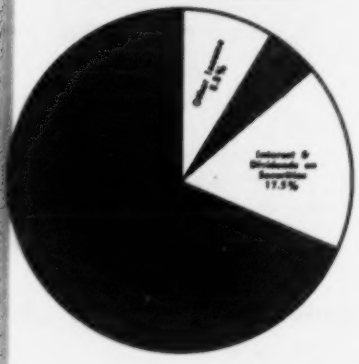
	Reserve for Loan Losses pursuant to IRS rulings
	1967
Balance, beginning of the year	$ 402,102
Recoveries credited to this reserve	5,531
Transfers to this reserve	92,794
Total	500,427
Less losses charged to this reserve	47,813
Balance, end of the year	$ 452,614

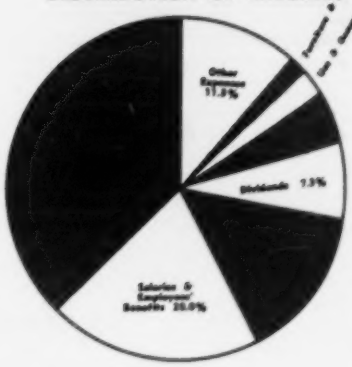
Low Cost Checking Accounts











Savings Accounts

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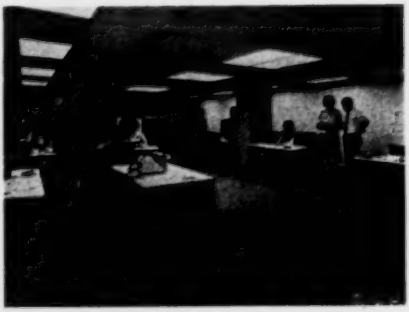
COMPARATIVE PICTURES OF PARKING LOT

The two pictures shown above reflect the development in the bank's parking facilities that has taken place since the last Annual Report. The picture on the left shows the parking lot to the west of the banking quarters as it appeared in the 1967 Annual Report, while the picture on the right shows the parking lot as it currently appears. The new area on the right of the right hand picture is the area provided to Joslin's. The balance of the parking areas are used by your bank for customer parking and for lease to building tenants, Mountain States Telephone and Telegraph Company and others who desire this parking. The parking lot is still not finally completed in view of the fact that we are installing a new combination walkup-driveup structure which will give us a fourth driveup window as well as a walkup facility on the west end of the banking quarters to take care of those customers who desire to park and use this facility rather than a driveup window.

Your bank now owns the entire south half of the block. This land area should permit, as necessary, expansion and growth of our physical plant and customer parking for many years to come.

Savings Certificates

PICTURE OF LOWER REMODELING



The above pictures reflect new office facilities in the lower banking level that have been remodeled for the purpose of relocating all the audit and accounting functions to the lower banking level. We are extremely proud of these new quarters and invite you to come and view them whenever it is possible for you to be in the bank. Space that we held in reserve and did not use for the past ten years is now proving to be extremely valuable and we are exceedingly proud of these fine quarters in which our personnel work.

With the relocation of the auditing and accounting functions to the lower banking level, we are currently in the process of changing the configuration of the present tellers' line, locating an entrance on the south or Eleventh Street side of the building with the ultimate objective of relocating the Installment Loan Department to the area formerly occupied by accounting and auditing. Our Trust Department will then move to the area presently occupied by the Installment Loan Department. This will give each of these departments room for future expansion which is necessary due to the increased volume of business handled in each of these areas. Along with opening up of your main banking floor, creating better access to the various departments from three separate entrances to your bank, we will do an extended amount of redecorating of the bank's interior. It is hard to believe that we have been in these quarters since April of 1958 and we feel that the time has arrived in which sprucing up, cleaning up and redecorating has become mandatory. We are very proud of the plans that have been prepared for this job and hope that once the entire project has been completed you will be as pleased with it as we are.

Business and Personal Loans

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STAFF MEMBERS

ADMINISTRATION

Robert M. Gilbert, President
Rex C. Eaton, Jr., Executive Vice President

CREDIT

Curtis S. Slife, Senior Vice President and Credit Supervisor

COMMERCIAL LOANS

James B. Gronstal, Vice President
A. R. Miller, Vice President
Dale J. Bristow, Assistant Vice President
Virgil J. Mathews, Assistant Vice President
Robert W. Pappenheim, Assistant Vice President
John Long, Agricultural Fieldman

INSTALLMENT LOANS

Loren L. Gale, Assistant Vice President
George Wolfe, Jr., Assistant Vice President
Alvin E. Vonfeldt, Assistant Cashier

OPERATIONS

Alejandro M. Gillespie, Vice President and Cashier
Elsie Erickson, Assistant Cashier
Richard J. Read, Assistant Cashier
Norman Wood, Assistant Cashier

TRUST DEPARTMENT

Louis C. Rieker, Vice President and Trust Officer
Russell F. Billings, Vice President and Farm Manager
Russell K. Haney, Trust Administrator

AUDITOR

Arthur L. Haviland

PUBLIC RELATIONS AND BUSINESS DEVELOPMENT

Thomas E. Fitzgerald, Assistant Vice President
Harold Hyde, BankAmericard Representative

THE FIRST NATIONAL BANK EMPLOYEES

Joyce Abrams
Jean Akers
Lois Akin
Mickey Baker
Connie Ball
Mary Ann Biehm
Sylvia Brase
Claudia Burgdorff
Mary Burum
Barbara Casteel
Helen Chapman
Carol Cox
Carolyn Cumberlin
Sasha Dawson
Mary DeGolier
Patty Drewer
Donna DuBois
Edythe Faulk
Bev Fosler
Judy Fox
Nell Foy
Velma Gordon
Mary Gray
Chuck Grayum
Becky Hawkins
Kay Holtfort
Susan Horner
Mary Jurgensmeier
Martha Kent
John Kerst
Dave Kliewer
Jim Lyons
Terry Mellon
Cordelia Meyer
Conrad Miller
Midge Morehead
Annetta Munstermann
Ned Nelson
Al Orlofsky
Marsha Quirk
Diane Richard
Phyllis Roth
Loretta Samson
Delores Schimpf
Wilma Schnell
Sheila Schweiger
Lorena Simmons
Linda Springfield
Chris Stein
Nancy Stuessi
Bobby Sutton
Paige Todd
Bev Torres
Fern Vielma
Dixie Walker
Dian Wilson

SE TO EDGE

DIRECTORS

LEONARD N. BURCH
Banking and Investments

ROBERT S. DAVIS
Owner,
Davis Agency and Livestock

MARTIN R. DOMKE
Cattle Feeder

REX C. EATON, JR.
Executive Vice President
of the Bank

WM. S. GARNSEY
Colorado State Senator
President, Garnsey and Wheeler Co.

ROBERT M. GILBERT
President of the Bank

JOHN L. HALEY
Engineering Consultant
Nelson, Haley, Patterson & Quirk, Inc.

JOHN W. HENDERSON
Attorney-at-Law

DARRELL HOLMES, PH. D.
President, Colorado State College

HAROLD S. JONES
Owner, The Jones Company

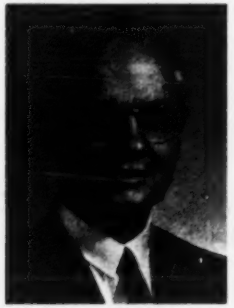
CARL J. MAGNUSON
Former Colorado State Senator
Farmer and Cattle Feeder

JOSEPH F. PHELPS
President, Hensel Phelps
Construction Company

DEAN C. ROYER
President, D. C. Royer Agency

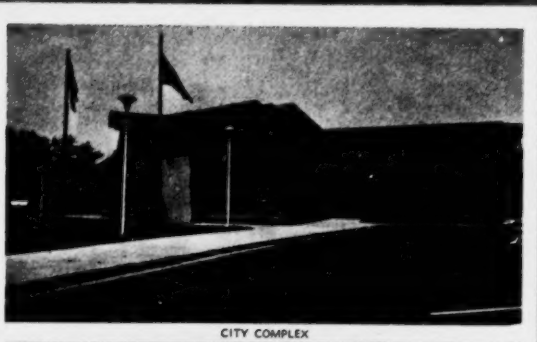
ERNEST B. SCOTT
President, Scott Realty Company

PHILLIP D. WEAVER, M. D.
Radiologist



WILLIAM H. SOUTHARD
Attorney-at-Law
Trustee, Colorado State Colleges
Elected to The Board of Directors
February 1968

Member FDIC and The Federal Reserve System



CITY COMPLEX

GLENMERE PARK

CSC STUDENT CENTER

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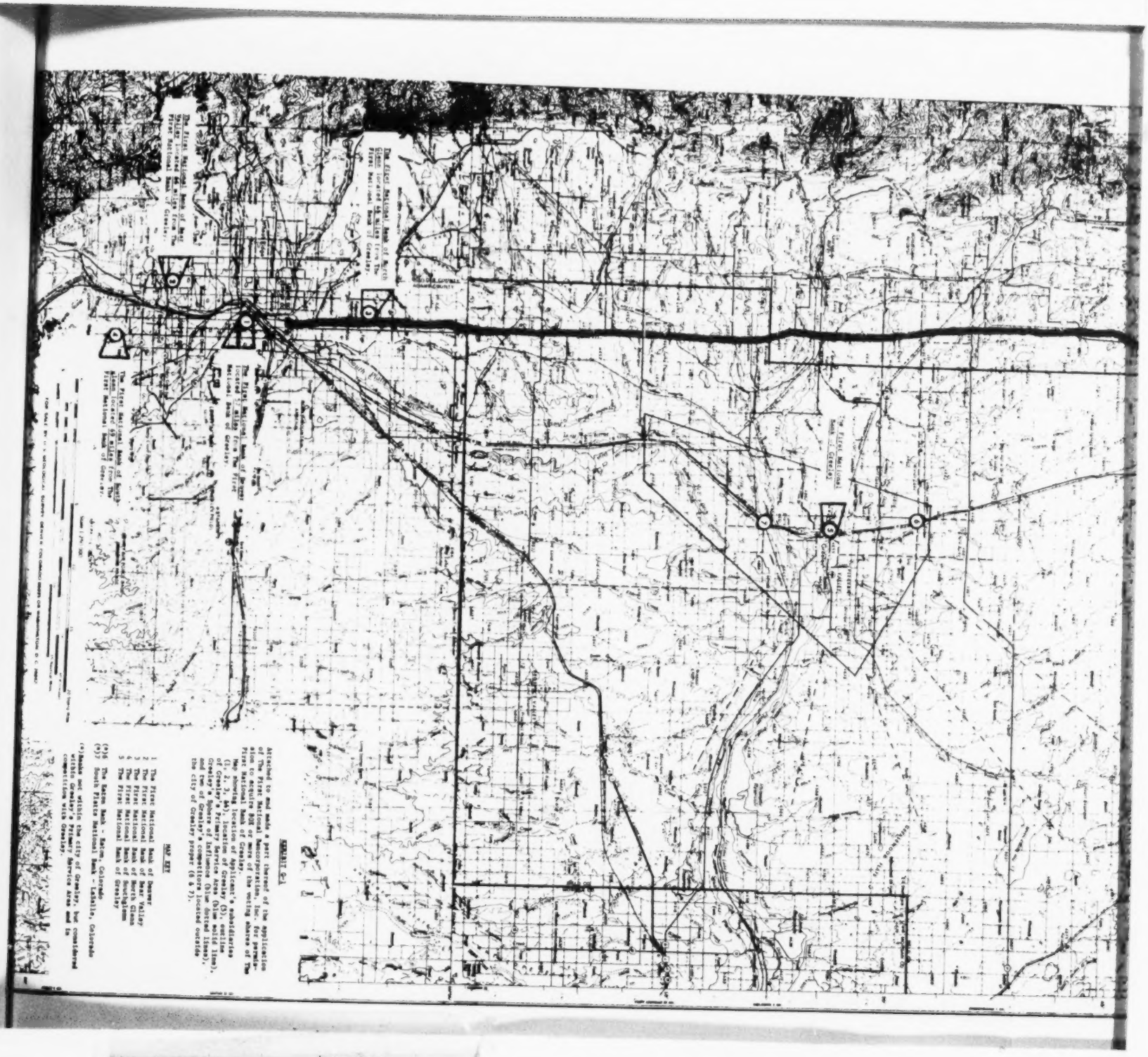

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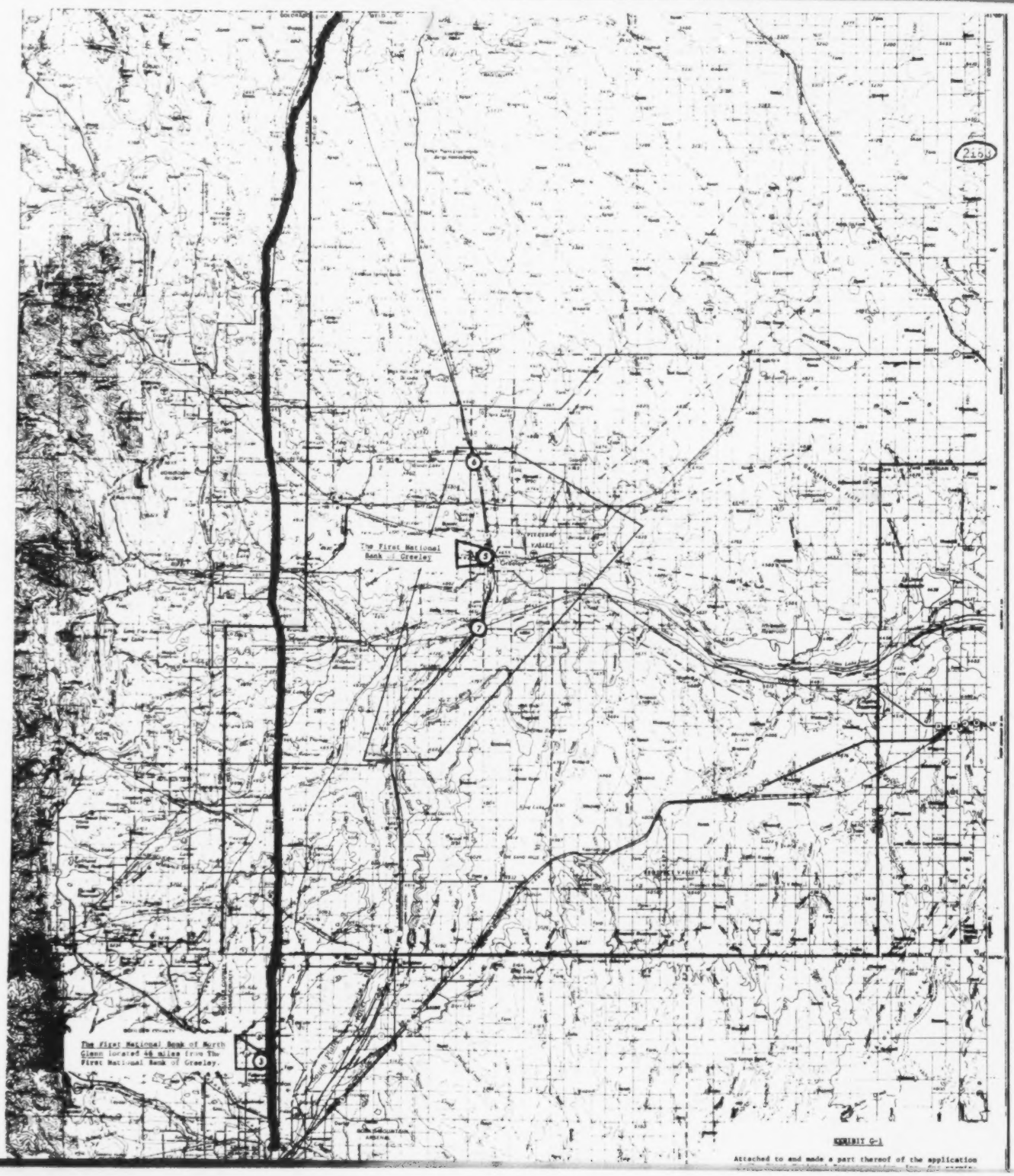
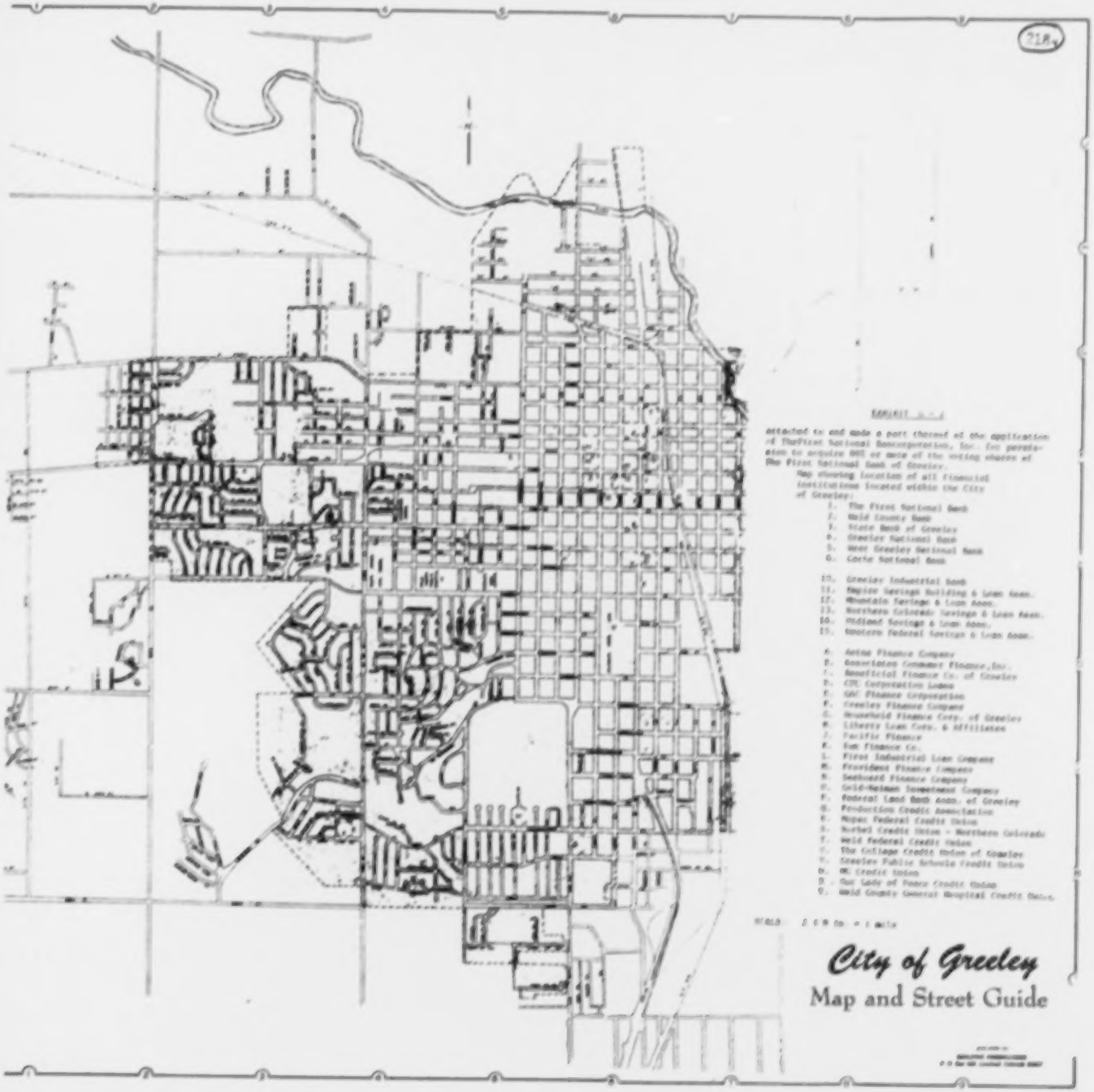


EXHIBIT G-1

Attached to and made a part thereof of the application


218
EXHIBIT
Attached to and made a part thereof of the application of The First National Bancorporation, Inc. for permission to acquire 80% or more of the voting shares of The First National Bank of Greeley.
Map showing location of all financial institutions located within the City of Greeley:
1. The First National Bank
2. Weld County Bank
3. State Bank of Greeley
4. Greeley National Bank
5. West Greeley National Bank
6. Cache National Bank
10. Greeley Industrial Bank
11. Empire Savings Building & Loan Assn.
12. Mountain Savings & Loan Assn.
13. Northern Colorado Savings & Loan Assn.
14. Midland Savings & Loan Assn.
15. Western Federal Savings & Loan Assn.
A. Aetna Finance Company
B. Associates Consumer Finance, Inc.
C. Beneficial Finance Co. of Greeley
D. CIT Corporation Loans
E. GAC Finance Corporation
F. Greeley Finance Company
G. Household Finance Corp. of Greeley
H. Liberty Loan Corp. & Affiliates
J. Pacific Finance
K. Fum Finance Co.
L. First Industrial Loan Company
M. Provident Finance Company
N. Seaboard Finance Company
O. Gold-Salmon Investment Company
P. Federal Land Bank Assn. of Greeley
Q. Production Credit Association
R. Mopac Federal Credit Union
S. Norbel Credit Union - Northern Colorado
T. Weld Federal Credit Union
U. The College Credit Union of Greeley
V. Greeley Public Schools Credit Union
W. OK Credit Union
X. Our Lady of Peace Credit Union
Y. Weld County General Hospital Credit Union
City of Greeley
Map and Street Guide

DX 20

UNITED STATES POPULATION PER BANK OR BANKING OFFICE, 1859 TO 1970

Year	Number of banks	Population per bank
1859	2,829	10,847
1860	3,051	10,329
1861	2,905	11,136
1862	2,778	11,947
1863	2,853	11,926
1864	2,016	11,559
1865	3,696	9,659
1866	4,913	9,105
1867	4,183	8,935
1868	4,308	8,870
1869	4,258	9,171
1870	4,491	8,886
1871	5,089	8,044
1872	5,374	7,810
1873	5,680	7,571
1874	5,994	7,347
1875	6,087	7,405
1876	6,125	7,528
1877	6,256	7,535
1878	6,136	7,851
1879	6,074	8,101
1880	6,110	8,226
1881	6,377	8,082
1882	6,825	7,739
1883	7,304	7,407
1884	7,757	7,139
1885	7,939	7,137
1886	8,366	6,925
1887	9,171	6,457
1888	9,606	6,293
1889	10,236	6,035
1890	11,055	5,704
1891	11,738	5,483
1892	12,006	5,469
1893	12,393	5,404
1894	12,196	5,598
1895	12,347	5,635
1896	12,324 [1]	5,752
1896	12,112	5,852
1897	12,079	5,976
1898	12,163	6,042
1899	12,459	6,004

[1] Year end.

Year	Number of banks	Population per bank
1900	13,053	5,830
1901	14,054	5,520
1902	15,112	5,238
1903	16,433	4,907
1904	17,659	4,653
1905	18,767	4,466
1906	20,407	4,187
1907	21,986	3,957
1908	23,161	3,830
1909	23,734	3,813
1910	25,151	3,674
1911	25,815	3,636
1912	26,472	3,601
1913	27,285	3,563
1914	27,864	3,557
1915	28,017	3,589
1916	28,362	3,595
1917	28,919	3,576
1918	29,480	3,546
1919	29,767 [2]	3,530

Year	Total offices	Number of banks (midyear)	Number of branches	Population per office
1920	32,190	30,909	1,281	3,307
1921	32,531	31,076	1,455	3,337
1922	32,537	30,736	1,801	3,382
1923	32,498	30,444	2,054	3,445
1924	31,898	29,601	2,297	3,577
1925	31,577	29,052	2,525	3,668
1926	31,053	28,350	2,703	3,781
1927	30,169	27,255	2,914	3,946
1928	29,539	26,401	3,138	4,079
1929	28,921	25,568	3,353	4,210
1930	27,795	24,273	3,522	4,428
1931	25,709	22,242	3,467	4,825
1932	22,512	19,317	3,195	5,545
1933	17,565	14,771	2,784	7,153
1934	18,918	15,913	3,005	6,680 [3]
1935	19,395	16,023	3,372	6,677
1936	19,298	15,809	3,489	6,755
1937	19,162	15,556	3,606	6,845
1938	19,018	15,370	3,648	6,952
1939	18,889	15,196	3,693	7,058 [4]

[2] Midyear.

[3] Compiled from various recited sources by the Federal Deposit Insurance Corporation in its Annual Report for 1960 (p. 41).

[4] Ibid, p. 42.

TABLE

Year	Number of Banks	Number of Branches	Total Offices	Resident Population of U.S. (in Thousands)	Population/ Banking Office
1940	14,385	3,573	17,958	131,954	7,348
1941	14,315	3,610	17,925	133,121	7,427
1942	14,293	3,653	17,946	133,920	7,462
1943	14,192	3,842	18,034	134,245	7,444
1944	14,153	3,977	18,130	132,885	7,330
1945	14,168	4,001	18,169	132,481	7,292
1946	14,201	4,036	18,237	140,054	7,680
1947	14,209	4,207	18,416	143,446	7,789
1948	14,199	4,395	18,594	146,093	7,857
1949	14,184	4,627	18,811	148,665	7,903
1950	14,150	4,894	19,044	151,326	7,946
1951	14,118	5,208	19,326	153,982	7,968
1952	14,074	5,526	19,600	156,393	7,979
1953	14,009	5,892	19,901	158,956	7,987
1954	13,868	6,374	20,242	161,884	7,997
1955	13,743	6,992	20,735	165,069	7,961
1956	13,667	7,664	21,331	168,088	7,880
1957	13,594	8,284	21,878	171,187	7,825
1958	13,527	8,949	22,476	174,149	7,748
1959	13,473	9,657	23,130	177,135	7,658
1960	13,471	10,483	23,954	179,323	7,486
1961	13,431	11,351	24,782	183,057	7,387
1962	13,426	12,341	25,767	185,890	7,214
1963	13,568	13,496	27,064	188,658	6,971
1964	13,760	14,610	28,370	191,372	6,746
1965	13,803	15,753	29,556	193,815	6,558
1966	13,766	16,907	30,673	195,923	6,387
1967	13,721	17,931	31,652	197,864	6,251
1968	13,678	19,013	32,691	199,870	6,114
1969	13,661	20,197	33,858	201,921	5,964
1970	13,686	21,644	35,330	203,185	5,751

Note: Excludes for all years the number of banks, branches, and total offices in U.S. Possessions. Except for Census years: 1940, 1950, 1960 & 1970, population is based on Bureau of Census estimates as of July 1st of the respective year.

Source: Number of banks, branches, and banking offices: Banking Markets Unit, Division of Research and Statistics, Board of Governors of the Federal Reserve System. Prepared from records maintained by the Federal Deposit Insurance Corporation.

Resident Population: Bureau of the Census, U.S. Department of Commerce: Series P-25, No. 139, 304, 348, and 384. Statistical Abstract of the United States, 1970, Table No. 2; 1970 Census of Population, Advance Report, Final Population Count.

DX 21

TABLE

NUMBER OF BANKS AND BANKING OFFICES, SELECTED YEARS, BY STATE

State	Number of Banks[1]					Number of Banking Offices[1]		
	1880	1900	1920	1940	1969	1920	1940	1969
ntire United States[2]	6,110	13,067	30,962	14,399	13,681	32,282	17,992	34,099
ntinental United States	6,110	13,053	30,909	14,361	13,640	32,190	17,899	33,649
abama	89	107	352	217	268	372	237	515
izona	2	21	87	12	12	108	38	311
kansas	14	125	487	213	249	493	228	404
lifornia	107	287	717	205	155	896	1,051	3,055
lorado	45	118	403	146	224[3]	403	146	224[3]
nnecticut	199	205	237	117	62	251	133	467
laware	24	25	41	43	19	57	57	98
strict of Columbia	7	20	45	22	14	49	52	114
orida	8	38	263	167	475	265	169	504
orgia	81	223	779	342	433	804	368	703
aho	6	40	222	50	26	222	87	175
nois	489	990	1,969	840	1,088	1,969	840	1,162
liana	239	489	1,057	498	410	1,060	565	1,011
wa	370	1,140	1,922	658	668	1,922	814	966
nsas	153	487	1,349	662	603	1,349	662	664
ntucky	134	314	584	402	345	585	431	651
uisiana	25	78	267	145	231	347	199	590
ine	136	150	162	68	44	194	126	253
ryland	77	141	260	173	122	319	253	613
ssachusetts	482	468	526	201	161	526	318	874
chigan	245	521	851	450	332	1,069	613	1,485
nnesota	114	519	1,515	674	724	1,515	680	734
ssissippi	31	113	332	207	181	356	250	502
ssouri	212	676	1,652	620	668	1,652	620	753
ntana	10	56	431	111	136	431	111	141
braska	78	516	1,225	417	442	1,227	419	481
vada	16	10	33	11	8	33	22	89
w Hampshire	117	116	126	64	76	127	66	128
w Jersey	112	190	402	356	228	423	474	1,119
w Mexico	11	14	123	41	64	128	48	185
w York	742	907	1,125	735	320	1,354	1,379	2,618
th Carolina	29	118	578	227	109	624	354	1,125
th Dakota	16	153	899	163	169	899	184	237
o	426	721	1,145	693	521	1,251	866	1,738
ahoma	—	156	960	390	426	960	390	484

For 1880, 1900 and 1920, call dates nearest June 30; for 1940 and 1969, of-year call dates.

Including territories and other outlying areas (except the Philippines).

Excludes industrial banks and drive-in offices.

State	Number of Banks[1]					Number of Banking Offices[1]		
	1880	1900	1920	1940	1969	1920	1940	1969
Oregon	9	78	277	71	51	278	139	370
Pennsylvania	623	795	1,482	1,075	492	1,518	1,172	2,108
Rhode Island	115	90	48	23	13	93	61	174
South Carolina	34	137	461	150	105	476	172	485
South Dakota	[4]	205	679	164	163	679	202	257
Tennessee	54	183	548	297	305	579	348	754
Texas	111	410	1,681	858	1,166	1,681	858	1,233
Utah	10	39	133	60	51	133	72	177
Vermont	70	89	108	73	44	108	85	122
Virginia	94	159	496	313	233	516	385	998
Washington	3	107	394	134	92	404	221	615
West Virginia	39	127	340	179	195	340	180	200
Wisconsin	145	349	976	566	604	985	696	856
Wyoming	7	33	160	58	70	160	58	72

[1] For 1880, 1900 and 1920, call dates nearest June 30; for 1940 and 1969, end-of-year call dates.

[4] Included with North Dakota.

Source: Derivative from DX-20 and U.S. Department of Commerce, Bureau of the Census.

DX 22

TABLE

PULATION PER BANK AND PER BANKING OFFICE, SELECTED YEARS, BY STATE

State	Population per bank [1]					Population per banking office [1]		
	1880	1900	1920	1940	1969	1920	1940	1969
tire United States	8,214	5,914	3,472	9,316	15,064	3,330	7,456	6,044
ntinental United States	8,208	5,822	3,420	9,169	14,818	3,284	7,356	6,007
abama	32,371	17,091	6,671	13,055	12,851	6,312	11,954	6,687
izona	20,220	5,854	3,841	41,583	147,667	3,094	13,132	5,698
kansas	57,323	10,493	3,598	9,150	7,723	3,554	8,548	4,760
lifornia	8,081	5,174	4,779	33,693	128,729	3,825	6,572	6,531
lorado	4,318	4,574	2,332	7,692	9,854	2,332	7,692	9,854
nnecticut	3,129	4,431	5,825	14,607	48,903	5,501	12,850	6,493
laware	6,108	7,389	5,439	6,209	28,842	3,912	4,684	5,592
strict of Columbia	25,374	13,936	9,724	30,136	54,071	8,930	12,750	6,640
orida	33,686	13,909	3,682	11,359	14,293	3,655	11,225	13,470
orgia	19,039	9,512	3,717	9,135	10,600	3,602	8,489	6,529
aho	5,435	4,044	1,945	10,500	27,423	1,945	6,034	4,074
inois	6,294	4,870	3,294	9,401	10,215	3,294	9,401	9,565
liana	8,277	5,146	2,772	6,884	12,668	2,765	6,067	5,137
wa	4,390	1,958	1,251	3,857	4,229	1,251	3,118	2,924
nsas	6,510	3,019	1,312	2,721	3,730	1,312	2,721	3,387
ntucky	12,303	6,838	4,138	7,080	9,330	4,131	6,603	4,945
uisiana	37,597	17,713	6,736	16,303	15,771	5,183	11,879	6,175
ine	4,771	4,630	4,741	12,456	22,591	3,959	6,722	3,929
aryland	12,142	8,426	5,576	10,526	32,148	4,544	7,198	6,398
assachusetts	3,699	5,994	7,324	21,478	35,335	7,324	13,575	6,509
ichigan	6,681	4,647	4,311	11,680	26,732	3,432	8,574	5,976
nnesota	6,848	3,375	1,576	4,142	5,256	1,576	4,106	5,184
ssissippi	36,503	13,728	5,393	13,594	12,249	5,030	8,736	4,416
ssouri	10,228	4,596	2,061	6,105	7,001	2,061	6,105	6,211
ontana	3,915	4,345	1,274	5,036	5,103	1,272	5,036	4,922
braska	5,800	2,066	1,058	3,156	3,357	1,057	5,141	3,085
vada	3,891	4,234	2,346	10,000	61,125	2,346	5,000	5,494
w Hampshire	2,965	3,548	3,517	7,687	9,711	3,489	7,455	5,766
w Jersey	10,099	9,914	7,850	11,685	31,439	7,461	8,776	6,406
w Mexico	10,869	13,951	2,930	12,976	15,875	2,815	11,083	5,492
w York	6,850	8,014	9,231	18,339	56,847	7,670	9,774	6,948
rth Carolina	48,267	16,049	4,428	15,736	46,624	4,101	10,090	4,517
rth Dakota	8,448	2,086	720	3,939	3,657	720	3,489	2,608
io	7,507	5,766	5,030	9,968	20,445	4,604	7,977	6,129
lahoma	—	5,067	2,113	5,990	6,007	2,113	5,990	5,287

[1] For 1880, 1900 and 1920 computed from number of banks and offices at ll dates nearest June 30 and population at census dates; for 1940 from number banks and offices at end of year and population at census date; for 1969 om number of banks and offices at end of 1969 and Census of Population r 1970.

State	Population per bank [1]					Population per banking office [1]		
	1880	1900	1920	1940	1969	1920	1940	1969
Oregon	19,418	5,302	2,828	15,352	41,000	2,818	7,842	5,561
Pennsylvania	6,874	7,927	5,884	9,209	23,972	5,744	8,447	5,595
Rhode Island	2,404	4,762	12,592	31,000	73,077	6,499	11,689	5,460
South Carolina	29,281	9,782	3,652	12,667	24,676	3,537	11,047	5,342
South Dakota	[2]	1,959	937	3,921	4,086	938	3,183	2,591
Tennessee	28,562	11,042	4,266	9,818	12,866	4,038	8,379	5,204
Texas	14,340	7,436	2,774	7,477	9,603	2,774	7,477	9,081
Utah	14,396	7,096	3,379	9,167	20,765	3,379	7,639	5,983
Vermont	4,746	3,861	3,263	4,918	10,114	3,263	4,224	3,648
Virginia	16,091	11,662	4,656	8,556	19,948	4,475	6,956	4,657
Washington	25,038	4,842	3,443	12,955	37,054	3,358	7,855	5,543
West Virginia	15,857	7,550	4,305	10,626	8,944	4,305	10,567	8,720
Wisconsin	9,072	5,928	2,697	5,544	7,315	2,672	4,509	5,161
Wyoming	2,969	2,804	1,215	4,328	4,743	1,215	4,328	4,611

[1] For 1880, 1900 and 1920 computed from number of banks and offices at call dates nearest June 30 and population at census dates; for 1940 from number of banks and offices at end of year and population at census date; for 1969 from number of banks and offices at end of 1969 and Census of Population for 1970.

[2] Included with North Dakota.

ANALYSIS OF CHANGES IN NUMBER OF INC
UNITED STA

Year	Number at end of preceding year[1]		Began operations	
			Total	New banks[2]
Total 1921-1934		-13,963	7,473	4,438
1921	29,206	-188	565	472
1922	29,018	-198	527	409
1923	28,820	-424	526	458
1924	28,396	-672	491	383
1925	27,724	-501	484	403
1926	27,223	-943	505	345
1927	26,280	-812	423	296
1928	25,468	-765	305	252
1929	24,703	-1,008	304	235
1930	23,695	-1,818	308	153
1931	21,877	-2,728	380	105
1932	19,149	-1,571	372	93
1933	17,578	-3,226	1,020	323
1934[7]	14,352	+891	1,263	511

1 Federal Reserve Bulletin, November 1937, p. 1087. Excludes m

2 Excludes new banks organized to succeed operating banks, but fo
State banks unlicensed after the banking holiday.

3 For 1921-32 includes reopenings accompanied by a change of nam
during the banking holiday in March 1933 which were licensed subse
1933, are not included in this table (either as suspensions or reoper

4 Decrease in number resulting from consolidations, mergers, an
were taken over by other banks.

5 Includes banks which reopened in the same or a subsequent year

6 Chiefly conversions from private banks, but including some uncl

7 Changes in 1934 include banks that had been closed at the time of
were approved for deposit insurance or licensed in time to reopen

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CHANGES IN NUMBER OF INCORPORATED COMMERCIAL BANKS IN CONTINENTAL UNITED STATES, 1921-1934

TABLE D

	Began operations			Ceased operations				
	Total	New banks[2]	Reopenings of suspended banks[3]	Total	Absorbed[4]	Suspended[5]	Voluntary liquidations	Other changes--net[6]
63	7,473	4,438	3,035	21,777	6,516	14,267	994	+341
88	565	472	93	814	305	461	48	+61
98	527	409	118	772	394	343	35	+47
24	526	458	68	1,003	329	623	51	[illegible]
72	491	383	108	1,191	373	738	80	+28
01	484	403	81	1,001	363	579	59	+16
43	505	345	160	1,461	462	924	75	+13
12	423	296	127	1,260	567	636	57	+25
35	305	252	53	1,084	534	479	71	+14
08	304	235	69	1,321	636	628	57	+9
18	308	153	155	2,129	769	1,292	68	+3
28	380	105	275	3,110	798	2,213	99	+2
71	372	93	279	1,950	433	1,416	101	+7
26	1,020	323	697	4,302	322	3,891	89	+56
01	1,263	511	752	379	231	44	104	+7

er 1937, p. 1087. Excludes mutual savings banks and private banks.
cceed operating banks, but for 1933 and 1934 includes new banks organized to succeed national and
g holiday.
companied by a change of name and issuance of a new charter. For 1933-34 includes banks closed
33 which were licensed subsequent to June 30, 1933. Banks licensed between March 15 and June 30,
ther as suspensions or reopenings).
consolidations, mergers, and absorptions of going banks. Does not include suspended banks that

e same or a subsequent year.
nks, but including some unclassified changes, particularly in 1933.
ad been closed at the time of the banking holiday and were unlicensed as of December 30, 1933, but
r licensed in time to reopen on January 2, 1934, and other changes between those dates.

DX 24

List of All National Banks Closed in Colorado, 1920-1938 [1]

Name of Bank	Date of Organization	Capital	Date Receiver Appointed	Apparent Cause of Failure [2]	Claims Proved	Dividends Paid (Per Cent)	Date Finally Closed or Restored
F.N.B. Lafayette, Co.	09-21-07	25000	10-27-21	A	22100		10-24-21 Reorganized
Sterling National Bank Sterling, Co.	05-02-21	150000	12-11-22	A	1,482974	27.74	10-22-30
F.N.B. Sterling, Co.	10-20-00	25000	04-05-24	A	677657	52.90	06-05-30
F.N.B. Rocky Ford, Co.	10-23-03	50000	04-06-24	C	227086—	70.50	09-30-28
Citizens National Bank Julesburg, Co.	09-29-09	25000—	06-12-24	B	164456—	54.20	10-31-29
Logan County National Bank Sterling, Co.	10-11-05	25000—	01-26-25	C	457472—	89.65	05-31-31
F.N.B. Simla, Co.	05-10-19	25000—	06-25-25	B	64969—	85.00	10-17-28
Globe National Bank Denver, Co.	02-05-20	200000—	10-01-25	B	3,703938—	62.5	04-18-35
Loveland National Bank Loveland, Co.	02-14-06	100000—	10-22-25	C	483464—	79.5	04-23-32
Dover National Bank Denver, Co.	12-18-19	200000—	12-24-25	A	871924—	40.26	05-31-31
F.N.B. Rifle, Co.	12-05-01	25000—	12-24-25	C	277685—	77.40	10-30-30

Stockman National Bank	12-22-06	35000—	03-01-26	C	193917—	62.75	12-31-32

F.N.B. Pagosa Springs, Co.	10-04-20	25000—	03-06-26	A	54156—	44.00	08-27-28
F.N.B. Hayden, Co.	04-16-13	25000—	06-16-26	A	116778—	56.80	09-30-29
F.N.B. Akron, Co.	02-04-07	25000—	08-26-26		234004	36.33	12-05-30
Broadway National Bank Denver, Co.	08-10-22	200000—	01-16-25	C	1,961087	77.7	12-31-35
F.N.B. Delta, Co.	05-22-00	30000—	09-25-29	B	363089	50.3	02-23-35
F.N.B. Fountain, Co.	04-20-03	25000—	08-01-30	A	58500—	37.17	03-01-33
Limon National Bank Limon, Co.	02-10-20	30000—	09-16-31	A C	34029	77.56	08-20-34
F.N.B. Deertrail, Co.	12-27-19	25000—	10-31-31	C	37380	94.55	07-08-35
F.N.B. Yuma, Co.	09-02-11	25000—	10-16-31	A C	94873	69.09	07-29-35
F.N.B. Buena Vista, Co.	05-31-07	25000—	11-06-31		70807	100.00	11-20-33
F.N.B. Steamboat Springs, Co.	08-21-02	25000—	11-17-31				06-29-37

Name of Bank	Date of Organization	Capital	Date Receiver Appointed	Apparent Cause of Failure [2]	Claims Proved	Dividends Paid (Per Cent)	Date Finally Closed or Restored
F.N.B. Brighton, Co.	12-31-04	25000—	12-02-31		206446—	37.85	08-24-35
F.N.B. Idaho Springs, Co.	05-19-83	50000—	12-23-31			64.2	10-31-38
F.N.B. Monte Vista, Co.	04-08-04	25000—	02-08-32		125832—	24.57	12-20-35
F.N.B. Craig, Co.	05-28-14	25000—	02-18-32		96790—	68.6	06-29-35
Craig National Bank Craig, Co.	06-06-14	25000—	02-18-32		269647	14.55	09-06-35
F.N.B. Lafayette, Co.	08-21-07	25000—	05-09-32		75135	46.90	07-11-35
F.N.B. Peeta, Co.	10-27-17	25000—	08-24-32		26573	44.9	04-24-36
Citizens National Bank Glenwood Springs, Co.	09-09-03	25000—	12-29-32		366659—	65.11	10-29-36
F.N.B. Littleton, Co.	12-09-04	25000—	01-12-33		285306	75.60	08-25-37
F.N.B. Wellington, Co.	06-03-05	25000—	01-24-33		480483	63.6	07-08-35

Fort Collins, Co.						
Trinidad National Bank	01-23-86	50000—	08-18-33			05-18-34 Reorganized
Trinidad, Co.				144613	95.5	04-30-37
Montezuma Valley National Bank	02-26-08	30000—	08-18-33			
Cortez, Co.						08-29-34 Reorganized
F.N.B.	03-08-24	25000—	09-12-33			
La Veta, Co.				529294—	100.00	06-30-37
Rudy National Bank	10-28-02	50000—	09-21-33			
Golden, Co.				187967—	100.00	11-27-37
F.N.B.	09-15-73	50000—	10-09-33			
Central City, Co.				182308—	70.00	04-30-37
F.N.B.	01-18-10	50000—	10-09-33			
Mancos, Co.				334336—	46.15	12-31-37
F.N.B.	03-05-20	25000—	10-31-33			
Aurora, Co.				180198—	100.00	09-24-37
F.N.B. of Douglas Co.	12-12-02	25000—	12-18-33			
Castle Rock, Co.				172355—	100.00	03-08-37
F.N.B.	12-07-01	25000—	01-26-34			
Eaton, Co				328746	89.10	09-30-37
Boulder National Bank	07-19-84	50000—	03-28-34			
Boulder, Co.				204277	94.70	12-09-36
F.N.B.	10-19-99	50000—	06-18-34			
La Junta, Co.						

Total National Bank Suspensions	45
Restored to Solvency	3
Total Failures	42

[1] Comptroller of the Currency, Annual Reports, 1931-1938, inclusive.
[2] A—Incompetent managements, B—Dishonesty, C—Local Financial Conditions.

LIST OF ALL STATE BANKS CLOSED—1920-1938 *

	Date of Closing	Capital	Deposits	Dividends (Per Cents)	Remarks
Farmers Bank of Timnath Timnath, Colorado	12-13-20	30,000	187,757	100	
First Bank of Iliff Iliff, Colorado	12-13-20	30,000	132,468	100	
The Kirk State Bank Kirk, Colorado	12-11-20	10,000	58,436	100	Reorganized
The Buchingham State Bank Buchingham, Colorado	12-24-20	10,000	31,592	100	
The Stoneham State Bank Stoneham, Colorado	4-7-21	10,000	26,398	25.66	
The Keene Valley Bank Keensburg, Colorado	4-30-21	10,000	18,399	84	
The Bank of Pueblo Pueblo, Colorado	6-13-21	50,000	231,432	82	
The Snyder State Bank Snyder, Colorado	7-15-21	10,000	12,613	26	
The Denver State Bank Denver, Colorado	7-19-21	50,000	148,286	75	
The First State Bank of Mesita Mesita, Colorado	8-15-21	10,000	23,362	11.1	
The Farmers and Merchants Bank Jaroso, Colorado	10-1-21	10,000	35,203	77	

Ordway, Colorado				
The Farmers State & Savings Bank Akron, Colorado	10-14-21	20,000	55,709	10
The Greeley Loan & Trust Company Greeley, Colorado	12-21-21	50,000	44,606	100
The Security State Bank Sheridan Lake, Colorado	1-19-22	10,000	24,662	45
The Farmers State Bank of Windsor Windsor, Colorado	1-31-22	15,000	92,606	60.15
The Home State Bank Montrose, Colorado	3-27-22	60,000	220,892	45
The Nucla State Bank Nucla, Colorado	3-30-22	10,000	41,881	100
The Citizens State Bank Lamar, Colorado	5-26-22	35,000	254,921	20
The Farmers State Bank Springfield, Colorado	5-27-22	15,000	61,404	40
The Bristol State Bank Bristol, Colorado	8-11-22	10,000	53,541	30
Orchard State Bank Orchard, Colorado	1-8-23	10,000	21,582	29.3
Goodrich State Bank Goodrich, Colorado	1-13-23	10,000	25,330	100

	Date of Closing	Capital	Deposits	Dividends (Per Cents)	Remarks
Hasty State Bank Hasty, Colorado	1-26-23	10,000	19,029	40	
Fleming State Bank Fleming, Colorado	2-23-23	20,000	55,139	10.9	
Farmers and Merchants Bank Baysfield, Colorado	3-3-23	15,000	116,741	65.7	
Hudson State Bank Hudson, Colorado	3-10-23	15,000	21,407	69.5	
Farmer State Bank Keota, Colorado	4-28-23	10,000	21,550.23	14	
Le Veta State Bank Le Veta, Colorado	6-25-23	30,000	161,126.50	20	
Hibernia Bank and Trust Company Denver, Colorado	7-27-23	100,000	1,494,348	80	
Interstate Trust Company Denver, Colorado	8-22-23	200,000	2,109,433	60	
Stratton State Bank Stratton, Colorado	9-12-23	25,000	87,889	10	
Northern Bank & Trust Company Greeley, Colorado	11-19-23	50,000	102,055	40	
Bank of Cheyenne Wells Cheyenne Wells, Colorado	11-20-23	25,000	45,126	40	

Bank of Maybell Maybell, Colorado	11-23-23	10,000	26,294	100		
Farmer State Bank Bovina, Colorado	12-4-23	15,000	37,899	26		
Burlington, State Bank Burlington, Colorado	12-15-23	15,000	204,513	55		
First State Bank Clifton, Colorado	12-31-23	10,000	81,448	40		
Kersey State Bank Kersey, Colorado	12-31-23	20,000	58,968	20		
Farmers & Merchants Bank Evans, Colorado	1-2-24	12,500	37,105	65		
Costilla County Bank San Acacia, Colorado	2-14-24	10,000	62,026	100	Reorganized	
North Park Bank Walden, Colorado	5-28-24	30,000	166,722	15		
Monument State Bank Monument, Colorado	6-26-24	10,000	50,902	60		
Grover State Bank Grover, Colorado	7-9-24	10,000	23,657	40		
Commercial State Bank Antonito, Colorado	9-23-24	25,000	168,954	100	Reorganized	
Italian-American Bank Denver, Colorado	1-28-25	100,000	487,243	11.33		

	Date of Closing	Capital	Deposits	Dividends (Per Cents)	Remarks
Farmer Bank and Trust Company Fort Collins, Colorado	5-2-25	50,000	106,533	29.5	
The American State Bank Granada, Colorado	6-12-25	10,000	65,280		Reorganized 4-22-27
The First State Bank Cheraw, Colorado	8-24-25	20,000	58,909	42	
Bank of Gypsum Gypsum, Colorado	11-18-25	25,000	89,377	74.5	
The North Denver Bank Denver, Colorado	12-17-25	50,000	211,748	56.9	
The Metropolitan State Bank Denver, Colorado	12-18-25	50,000	130,774	100	
The Capitol Hill State Bank Denver, Colorado	12-18-25	50,000	306,407	45.5	
The First State Bank Brandon, Colorado	2-13-26	10,000	29,918	51.6	
The Bank of Commerce Denver, Colorado	1-21-26	50,000	128,543	100	
The Farmers State Bank Flagler, Colorado	6-2-26	25,000	35,738	24.6	
The Matheson State Bank	3-21-26	10,000	38,438	49.8	

First State Bank of Milliken Milliken, Colorado	2-19-26	10,000	22,005	65.6
The State Bank of Raymer New Raymer, Colorado	12-19-26	10,000	32,590	53.25
Routt County Bank Oak Creek, Colorado	10-11-26	15,000	94,573	86
The Farmers State Bank Otis, Colorado	10-16-26	25,000	80,005	88.6
Peoples Home Bank Rocky Ford, Colorado	3-25-26	30,000	175,055	73.5
International State Bank Trinidad, Colorado	4-5-26	100,000	198,512	100
First State Bank Aguilar, Colorado	9-14-27	25,000	152,276	64.12
The Costilla County Bank San Acacio, Colorado	9-14-27	10,000	61,679	100
American State Bank Amherst, Colorado	5-5-28	10,000	30,448	100
The Lincoln State Bank Arriba, Colorado	11-19-28	25,000	23,212	21
The Pioneer State Bank Denver, Colorado	5-16-28	100,000	675,174.73	50.86
The Daily State Bank Daily, Colorado	11-18-29	10,000	27,150	100

	Date of Closing	Capital	Deposits	Dividends (Per Cents)	Remarks
The Farmers State Bank Gilcrest, Colorado	11-29-29	10,000	16,968	31	
The Norwood State Bank Norwood, Colorado	9-6-29	25,000	181,902	70.6	
The Bank of Telluride Telluride, Colorado	9-6-29	50,000	614,315	39.3	
The Peoples State Bank Wray, Colorado	9-9-30	15,000	61,252	100	
The Bank of Yampa Yampa, Colorado	12-31-30	15,000	99,511	36.8	
The Agate State Bank Agate, Colorado	9-28-31	10,000	27,155	16	
Blanca State Bank Blanca, Colorado	3-31-31	10,000	67,901	48.8	
The Stock Growers State Bank Burlington, Colorado	10-2-31	25,000	397,361	35	
The First State Bank Caihan, Colorado	10-6-31	15,000	242,437	35	
The State Bank Colorado Springs, Colorado	12-31-31	50,000	287,289	70	

Crested Butte, Colorado	4-23-31	15,000	203,035	68
Bank of Del Norte Del Norte, Colorado	10-30-31	20,000	248,131	25
The Phillips County State Bank Holyoke, Colorado	12-7-31	25,000	154,429	39.95
The First State Bank Wiggins, Colorado	10-15-31	15,000	107,078	90.3
The Union State Bank Yuma, Colorado	10-21-31	25,000	179,262	66
The Bethume State Bank Bethume, Colorado	11-26-32	16,000	17,713	23.5
The American State Bank Brighton, Colorado	9-11-32	35,000	292,670	52.3
The Broomfield State Bank Broomfield, Colorado	1-23-32	20,000	18,636	68.25
The Colorado State Bank Canon City, Colorado	9-8-32	35,000	200,068	100
The Castle Rock State Bank Castle Rock, Colorado	11-1-32	25,000	69,149	43
The Peoples State Bank Center, Colorado	5-21-32	25,000	112,235	100
The Eads State Bank Eads, Colorado	11-29-32	25,000	80,326	26.1
The Platte Valley State Bank Fort Lupton, Colorado	7-22-32	25,000	92,543	42.6

	Date of Closing	Capital	Deposits	Dividends (Per Cents)	Remarks
The Peoples State Bank Fort Morgan, Colorado	12-13-32	25,000	211,306	80	
Bank of Georgtown Georgetown, Colorado	11-9-32	30,000	85,377	75	
The Hartman State Bank Hartman, Colorado	7-21-32	10,000	26,966	73	
The Farmers State Bank Haxtun, Colorado	7-9-32	25,000	181,605	78	
Yampa Valley Bank Hayden, Colorado	10-29-32	30,000	46,588	68	
The Colorado Bank & Trust Company Longmont, Colorado	2-29-32	50,000	293,416	54.62	
The Loveland State Bank Loveland, Colorado	7-23-32	50,000	208,944	19.4	
The First State Bank Meeker, Colorado	7-22-32	30,000	138,758	100	
The First Exchange State Bank Paonia, Colorado	1-20-32	30,000	187,945	79.75	
The Bank of Ridgway Ridgway, Colorado	12-12-32	15,000	60,804	57.83	
The Seibert State Bank Seibert, Colorado	12-20-32	10,000	36,676	29.6	

The Cheyenne County State Bank Cheyenne Wells, Colorado	1-9-33	30,000	71,267.84	100
The State Bank of Ramah Ramah, Colorado	1-23-33	10,000	74,512.54	
The Wallace State Bank Monte Vista, Colorado	1-28-33	100,000	26,891	
Rio Grande State Bank Del Norte, Colorado	1-31-33	15,000	121,425	
The Monte Vista Bank & Trust Company Monte Vista, Colorado	2-3-33	50,000	128,368	
Ovid State Bank Ovid, Colorado	3-3-33	15,000	33,540	84
Durango Bank & Trust Company Durango, Colorado	4-12-33	100,000	220,546	
The Englewood State Bank Englewood, Colorado	7-10-33	25,000	45,478	100

Reports of the Colorado State Bank Commissioner, 1920-1936

Total Bank Failures 111

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Recent Charter Applications Granted and Denied National Banks

Name of Bank	Date Established	Capital	Remarks
First National Bank Cortez, Colorado	5-31-58	200,000	
Lakeside National Bank Wheat Ridge, Colorado	6-15-59	500,000	
Arapahoe National Bank Boulder, Colorado	11-28-60	200,000	
Republic National Bank Pueblo, Colorado	9-4-62	400,000	
Cache National Bank Greeley, Colorado	4-23-62	200,000	
Colfax National Bank Denver, Colorado	10-1-62	300,000	
Alameda National Bank Denver, Colorado	10-15-62	300,000	
First National Bank Sterling, Colorado	11-16-62	750,000	
University National Bank Fort Collins, Colorado	11-30-62	400,000	
Park National Bank Pueblo, Colorado	1-9-63	250,000	
First Westland National Bank Lakewood, Colorado	2-28-63	750,000	
Boulevard National Bank Denver, Colorado	6-21-63	300,000	
The Northeast Colorado National Bank Denver, Colorado	6-27-63	281,250	
South Denver National Bank Denver, Colorado	7-1-63	300,000	
West Greeley National Bank Greeley, Colorado	7-5-63	125,000	
Aurora National Bank Aurora, Colorado	7-22-63	250,000	
Brighton National Bank Brigton, Colorado	5-1-63	250,000	Failed 1/22/66
Northern National Bank Colorado Springs, Colorado	9-24-63	250,000	
Seventeenth Street National Bank Denver, Colorado	4-22-63	700,000	Villa National United Bank of Lakewood

Name of Bank	Date Established	Capital	Remarks:
First National Bank Burlington, Colorado	10-7-63	100,000	
Security National Bank Denver, Colorado	10-14-63	750,000	
Western National Bank Denver, Colorado	11-7-63	300,000	
The First National Bank of North Glenn North Glenn, Colorado	11-14-63	212,500	
Valley National Bank Littleton, Colorado	7-10-63	300,000	
Boulder National Bank Boulder, Colorado	1-15-64	750,000	
South Platte National Bank La Salle, Colorado	3-3-64	175,000	
Mesa National Bank Grand Junction, Colorado	5-4-64	300,000	
National Bank of Delta Delta, Colorado	5-18-64	150,000	
South Colorado National Bank Denver, Colorado	6-1-64	137,500	
The First National Bank of Bear Valley Denver, Colorado	6-15-64	275,000	
The East Colorado Springs National Bank Colorado Springs, Colorado	8-31-64	330,000	
The Western National Bank Colorado Springs, Colorado	9-1-64	200,000	
The First National Bank of South Glenn Littleton, Colorado	11-30-64	125,000	
Westlake First National Bank Loveland, Colorado	12-4-64	100,000	
Metro National State Bank Denver, Colorado	12-11-64	500,000	
First National Bank Estes Park, Colorado	1-18-65	100,000	
Republic National Bank Englewood, Colorado	2-4-65	306,500	
Midtown National Bank Pueblo, Colorado	3-1-65	300,000	
Air Academy National Bank U.S. Air Force Academy	6-5-66	200,000	
Fort Carson National Bank Fort Carson, Colorado	2-13-67	100,000	

Name of Bank	Date Established	Capital	Remarks
Wheat Ridge National Bank Wheat Ridge, Colorado	10-30-69	300,000	
Arapahoe Colorado National Littleton, Colorado			
Fort Collins National Bank Fort Collins, Colorado			
Skyline National Bank Denver, Colorado			

State Banks

Name of Bank	Date Established	Capital	Name Changed To:
n Miguel Basin State Bank Norwood, Colorado	3-1-50	75,000	
e Home State Bank Loveland, Colorado	4-1-50	400,000	
tropolitan State Bank Commerce City, Colorado	6-1-50	250,000	
ddle Park Bank Granby, Colorado	6-20-50	100,000	
kansas Valley Bank Pueblo, Colorado	9-18-50	300,000	
glewood State Bank Englewood, Colorado	3-20-51	800,000	Continental Nat'l Bank Englewood, Colorado
rth Denver Bank Denver, Colorado	10-15-51	950,000	
e Central Colorado Bank Colorado Springs, Colorado	1-19-53	399,300	
e Cherry Creek Bank Denver, Colorado	4-6-53	1,000,000	Cherry Creek National Bank
e Bank of Lafayette Lafayette, Colorado	7-24-53	100,000	First National Bank of Lafayette
rth Park State Bank Walden, Colorado	2-21-55	75,000	
cky Mountain Bank Lakewood, Colorado	11-7-56	300,000	Lakewood Colorado National Bank
narnty Bank & Trust Company Denver, Colorado	6-20-55	1,575,000	
iversity Hills Bank Denver, Colorado	3-12-56	800,000	
eoples Bank & Trust Company Aurora, Colorado	6-27-57	300,000	
he Pikes Peak Bank of Commerce Colorado Springs, Colorado	7-1-57	200,000	The Pikes Peak National Bank
rapahoe County Bank Littleton, Colorado	4-14-58	270,000	Arapahoe Valley Bank Merged: Valley Nat'l Bank
roomfield Heights Bank Broomfield, Colorado	11-15-58	150,000	

Name of Bank	Date Established	Capital	Name Changed To:
The Dolores State Bank Dolores, Colorado	1-5-59	75,000	
First State Bank of Westminister Westminister, Colorado	5-4-59	279,800	First National Bank
South Gate State Bank Colorado Springs, Colorado	10-9-59	300,000	American Heritage Bank and Trust Co.
Evergreen State Bank Evergreen, Colorado	3-1-60	250,000	
Commonwealth State Bank Boulder, Colorado	11-21-60	200,020	Security National Bank
Southwest State Bank Denver, Colorado	2-6-61	318,000	
Center State Bank Denver, Colorado	3-1-61	432,000	
Arvada State Bank Arvada, Colorado	4-30-62	250,000	
Golden State Bank Golden, Colorado	5-12-62	250,000	
Buena Vista Bank & Trust Co. Buena Vista, Colorado	1-2-63	80,000	
North Valley State Bank Thornton, Colorado	2-25-63	250,000	
The Bank of Glenwood Glenwood Springs, Colorado	4-1-63	200,000	
The Bank of Fountain Valley Security, Colorado	7-8-63	200,000	
Rocky Mountain Bank & Trust Co. Fort Collins, Colorado	7-8-63	300,000	
Holyoke Bank and Trust Co. Holyoke, Colorado	7-23-63	150,000	
The St. Vrain Valley Bank Longmont, Colorado	8-3-64	230,000	
Mancos State Bank Mancos, Colorado	8-17-64	75,000	
State Bank of Greeley Greeley, Colorado	4-1-65	150,000	
Park State Bank Woodland Park, Colorado	4-19-65	100,000	
Bank of Rangely Rangely, Colorado	6-3-65	75,000	

Name of Bank	Date Established	Capital	Name Changed To:
Academy Blvd. Bank Colorado Springs, Colorado	1-18-66	250,000	
Summit County Bank Frisco, Colorado	4-19-66	75,000	
Guaranty Bank of Stapleton Denver, Colorado	7-19-66	300,000	
Yampa Valley State Bank Hayden, Colorado	11-13-67	60,000	
The Bank of Vail Vail, Colorado	11-30-67	100,000	
First State Bank of Fountain Fountain, Colorado	3-11-68	100,000	
Bank of Durango Durango, Colorado	7-22-68	250,000	
Mid-State Bank Denver, Colorado	3-20-69	250,000	
The Bank of Telluride Telluride, Colorado	7-1-69	75,000	
The Bank of Colorado Colorado Springs, Colorado	7-14-69	250,000	

Name of Bank	Date of Application	Date Opened	Capital	Remarks
Broomfield Bank Broomfield, Colorado	8-12-57	11-15-58	150,000	
Southgate State Bank Colo. Springs, Colo.	11-20-57	10-9-59	200,000	Amer. Heritage Bank and Trust Co.
Southwest State Bank Denver, Colorado	11-50-57	2-6-61	318,000	
First State Bank Westminister, Colo.	4-17-58	5-4-59	206,000	
Dolores State Bank Dolores, Colorado	7-17-58	1-5-59	75,000	
Evergreen State Bank Evergreen, Colorado	6-17-59	3-1-60	75,000	
Bank of Glenwood Glenwood Spgs., Colo.	7-16-59	4-1-63	200,000	
Arvada State Bank Arvada, Colorado	11-19-59	4-30-62	225,000	
Center State Bank Denver, Colorado	7-21-60	3-1-61	360,000	
Security Bank of Boulder Boulder, Colorado	11-17-60	11-17-60	100,000	Conversion from Commonwealth Industrial Bank
North Valley State Bk. Thornton, Colorado	2-23-61	2-25-63	250,000	
Buena Vista Bank and Trust Company Buena Vita, Colo.	8-17-61	1-2-63	80,000	
Golden State Bank Golden, Colorado	9-21-61	5-12-62	250,000	
Holyoke Bank & Trust Co. Holyoke, Colorado	10-16-61	7-23-63	150,000	
Rocky Mountain Bank and Trust Company Ft. Collins, Colo.	6-21-62	7-8-63	300,000	
Bank of Rangely Rangely, Colorado	9-10-62	6-3-65	75,000	
Bank of Fountain Valley Security, Colo.	12-12-62	7-8-63	100,000	Home Security Industrial Bank

Name of Bank	Date of Application	Date Opened	Capital	Remarks
The St. Vrain Valley Bank St. Vrain, Colorado	5-29-63	8-3-64	200,000	
State Bank of Greeley Greeley, Colorado	8-23-63	4-1-65	150,000	First Industrial Bank of Greeley
Mancos State Bank Mancos, Colorado	10-24-63	8-17-64	75,000	
Park State Bank Woodland Park, Colo.	12-10-63	4-19-65	100,000	
Academy Boulevard Bank Colo. Springs, Colo.	4-23-64	1-18-66	250,000	
First State Bank of Fountain, Colorado	6-10-64	3-11-68	100,000	
Guaranty Bank of Stapleton Denver, Colorado	10-22-64	7-19-66	300,000	
Summit County Bank Fresco, Colorado	5-24-65	4-19-66	75,000	
Bank of Durango Durango, Colorado	10-27-65	7-22-68	250,000	
Villa Italia Bank of Jefferson County Lakewood, Colorado	12-16-65	1-18-66	304,282	
Yampa Valley State Bank Hayden, Colorado	1-5-66	11-13-67	60,000	
The Bank of Vail Vail, Colorado	12-29-66	11-30-67	100,000	
Monthello State Bank Denver, Colorado	5-5-66	2-17-69	250,000	
Mid State Bank Denver, Colorado	6-8-66	3-20-69	250,000	
The Bank of Colorado Colo. Springs, Colo.	6-3-68	7-14-69	250,000	
Peoples Bank of Arapahoe County Littleton, Colorado	7-16-68			
Columbine State Bank Denver, Colorado	3-12-68			
The Bank of Telluride Telluride, Colorado	2-17-69	7-1-69	75,000	

Name of Bank	Date of Application	Date Opened	Capital	Remarks
Citizens Bank Westminster, Colorado	3-3-69			
Bank of Woodmoor Woodmoor, Colorado	10-29-69			
Eagle Valley Bank Minturn, Colorado	1-9-70			
South Jefferson County Bank Lakewood, Colorado	9-23-69			
Bank of Breckenridge Breckenridge, Colorado	3-9-70			
Georgetown State Bank Georgetown, Colorado	6-17-70			
The Citadel Bank Colo. Springs, Colorado	7-2-70			
The Bank of Littleton Littleton, Colorado	6-23-70			
First State Bank of Wiggins Wiggins, Colorado	7-17-70			

State Banks "Denied"

Name of Bank	Date of Application
Adams County Bank Thornton, Colorado	3-19-59
Thornton State Bank Thornton, Colorado	5-14-59
Park Hill Bank Denver, Colorado	5-21-60
Rangely State Bank Rangely, Colorado	2-23-61
Chaffee County Bank Buena Vista, Colorado	6-15-61
Bank of Chaffee County Hayden, Colorado	8-17-61
First State Bank Hayden, Colorado	3-12-64
Wheat Ridge Bank Wheat Ridge, Colorado	8-12-64
High Plains State Bank Springfield, Colorado	6-17-65
Exchange State Bank Edgewater, Colorado	8-29-66
Citizen State Bank Englewood, Colorado	9-4-68
Rampart Range Bank and Trust Company Rampart, Colorado	11-3-69
Boulder Valley Bank Boulder, Colorado	6-12-69
Southmoor State Bank Fort Collins, Colorado	12-1-69
Platte Valley State Bank Brighton, Colorado	12-23-69
Northglenn State Bank Northglenn, Colorado	7-2-70
Tablemesa State Bank Boulder, Colorado	7-3-70
Boulder Valley Bank Boulder, Colorado	2-3-70

STATE BANK "WITHDRAWALS"

Name of Bank	Date of Application
Stockyards State Bank Denver, Colorado	11-20-57
Buena Vista State Bank Buena Vista, Colorado	1-24-58
Greatwestern State Bank Brighton, Colorado	7-17-58
Tri-County Bank Denver, Colorado	8-21-58
Westminster State Bank Westminster, Colorado	12-5-58
First State Bank of Wiggins Wiggins, Colorado	3-19-59
Bank of Aspen Aspen, Colorado	9-10-59
Bank of Arvada Arvada, Colorado	12-17-59
Bear Creek Bank Denver, Colorado	7-21-60
Cambridge Center Bank Glendale, Colorado	7-21-60
Bank of Summit County Frisco, Colorado	2-23-61
Turner State Bank Durango, Colorado	2-23-61
Boulevard State Bank Denver, Colorado	
University Bank & Trust Co. Denver, Colorado	4-19-62
Columbia State Bank Denver, Colorado	6-20-62
Bank of Pueblo Pueblo, Colorado	7-19-62

Name of Bank	Date of Application
First Bank of Green Mountain Lakewood, Colorado	11-6-63
Capital Heights State Bank Denver, Colorado	9-2-64
Belleview State Bank Littleton, Colorado	11-19-64
Villa Italia Bank Lakewood, Colorado	1-22-65
Bank of Woodmoor Woodmoor, Colorado	12-21-65
Vail State Bank Vail, Colorado	2-21-66
Jefferson County Bank of Applewood Golden, Colorado	7-5-68

Source: State Material, Record of the State Banking Commissioner.

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COMMERCIAL BANK NATIONAL RANKING
OF FIRST NATIONAL BANK OF DENVER
BY DEPOSITS
1963-1970

Year	Ranking
1963	98
1964	99
1965	101
1966	104
1967	103
1968	103
1969	111
1970	112

Source: *American Banker* Rankings, Indicated Years.

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TOTAL DOLLAR DEPOSITS AND NATIONAL RANKING BY DEPOSITS, FIRST NATIONAL BANK OF GREELEY, COLORADO, 1960-1970

Year	Deposits (Year end)	National position
1960	20,651,945	1,194
1961	21,439,858	1,229
1962	25,961,394	1,107
1963	27,471,796	1,120
1964	28,710,740	1,149
1965	30,545,232	1,160
1966	32,331,862	1,171
1967	35,783,156	1,197
1968	36,942,596	1,305
1969	40,262,628	1,236
1970	40,862,385	1,351

Source: American Banker.

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TABLE (continued)

Year	# of Banks	National Banks	State Banks	Banking Organizations	Total Deposits	FNB Colorado Deposits	%	U.S. Deposits
1946	141	77	64	141	1,055,428	165,341	15.67	139,8
1947	142	77	65	142	1,002,524	181,510	18.11	144,9
1948	142	77	65	142	1,037,649	165,968	15.99	143,6
1949	144	77	67	144	1,042,184	162,541	15.60	145,0
1950	148	77	71	148	1,117,182	177,039	15.85	156,0
1951	150	77	73	150	1,189,437	194,729	16.37	165,3
1952	150	77	73	150	1,226,154	204,840	16.71	173,8
1953	154	77	77	154	1,341,093	200,640	14.96	177,5
1954	153	77	76	153	1,423,523	206,175	14.48	185,6
1955	156	77	79	156	1,521,912	203,546	13.37	193,2
1956	157	77	80	157	1,363,936	207,605	15.22	198,5
1957	158	76	82	158	1,694,803	210,041	12.39	202,4
1958	158	76	82	158	1,864,708	294,045	15.77	217,2
1959	161	77	84	159	1,905,434	299,318	15.71	220,5

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TABLE ' (continued)

ks	National Banks	State Banks	Banking Organizations	Total Deposits	FNB Colorado Deposits	%	U.S. Deposits	Colorado %
1	77	64	141	1,055,428	165,341	15.67	139,882	0.754
2	77	65	142	1,002,524	181,510	18.11	144,950	0.691
2	77	65	142	1,037,649	165,968	15.99	143,637	0.722
2	77	67	144	1,042,184	162,541	15.60	145,951	0.714
3	77	71	148	1,117,182	177,039	15.85	156,089	0.715
0	77	73	150	1,189,437	194,729	16.37	165,688	0.717
0	77	73	150	1,226,154	204,840	16.71	173,810	0.705
4	77	77	154	1,341,093	200,640	14.96	177,580	0.755
3	77	76	153	1,423,523	206,175	14.48	185,671	0.766
5	77	79	156	1,521,912	203,546	13.37	193,205	0.787
7	77	80	157	1,363,936	207,605	15.22	198,547	0.686
5	76	82	156	1,694,803	210,041	12.39	202,482	0.837
1	76	82	156	1,864,708	294,045	15.77	217,291	0.858
	77	84	159	1,905,434	299,318	15.71	220,514	0.864

TABLE __ (continued)

Year	# of Banks	National Banks	State Banks	Banking Organizations	Total Deposits	FNB Colorado Deposits	%	U. Dep
1931	245	113	132	245	284,619	38,631	13.57	47,
1932	209	100	109	209	226,738	40,149	17.71	38,
1933	170	73	97	170	203,736	41,475	20.36	32,
1934	169	80	89	169	235,929	49,765	21.10	36,
1935	160	81	79	160	270,398	54,603	20.19	45,
1936	156	79	77	156	304,732	63,997	21.00	50,
1937	147	78	69	147	320,342	54,107	16.89	48,
1938	144	78	66	144	303,256	58,023	19.13	51,
1939	145	78	67	145	325,873	62,419	19.15	57,
1940	146	78	68	146	344,327	67,925	19.73	65,
1941	144	78	66	144	371,452	81,076	21.83	71,
1942	140	78	62	140	433,995	111,249	25.63	89,
1943	139	77	62	139	610,771	130,487	21.36	106,
1944	140	77	63	140	734,611	149,148	20.30	128,
1945	138	77	61	138	900,438	180,033	19.99	151,

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TABLE _ (continued)

of nks	National Banks	State Banks	Banking Organizations	Total Deposits	FNB Colorado Deposits	%	U.S. Deposits	Colorado %
15	113	132	245	284,619	38,631	13.57	47,277	0.602
9	100	109	209	226,738	40,149	17.71	35,658	0.635
'0	73	97	170	203,736	41,475	20.36	32,078	0.635
9	80	89	169	235,929	49,783	21.10	36,810	0.640
0	81	79	160	270,398	54,603	20.19	45,632	0.592
6	79	77	156	304,732	63,997	21.00	50,865	0.599
7	78	69	147	320,342	54,107	16.89	48,656	0.658
4	78	66	144	303,256	58,023	19.13	51,355	0.590
5	78	67	145	325,873	62,419	19.15	57,887	0.563
	78	68	146	344,327	67,925	19.73	65,532	0.525
	78	66	144	371,452	81,076	21.83	71,512	0.519
	78	62	140	433,995	111,249	25.63	89,479	0.485
	77	62	139	610,771	130,487	21.36	106,349	0.574
	77	63	140	734,611	149,148	20.30	128,701	0.570
	77	61	138	900,438	180,033	19.99	151,089	0.595

TABLE (continued)

Year	# of Banks	National Banks	State & Private Banks	Private Banks	Total Deposits	FNB Denver Deposits	%	U.S Depo (00
1916	346	121	225		189,372	26,684	14.09	22,
1917	353	121	232		239,732	24,535	10.23	26,
1918	362	122	240		241,392	24,895	10.31	28,
1919	383	127	256		269,244	29,939	11.12	33,
1920	404	141	263	4	307,100	20,928	6.81	36,
1921	392	143	249		268,047	27,164	10.13	33,
1922	377	143	234		278,584	36,180	12.99	35,
1923	356	143	213		301,161	34,366	11.41	38,
1924	343	143	200		305,912	39,801	13.01	41,
1925	329	137	192		320,924	47,234	14.72	45,
1926	307	127	180		298,071	43,632	14.64	46,
1927	294	124	170		295,518	42,209	14.28	48,
1928	285	123	162		305,043	40,605	13.31	49,
1929	275	121	154		301,694	42,200	13.99	49,
1930	270	120	150		296,725	46,079	15.53	51,

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TABLE (continued)

National Banks	State & Private Banks	Private Banks	Total Deposits	FNB Denver Deposits	%	U.S. Deposits (000)	Colorado %
121	225		189,372	26,684	14.09	22,613	0.837
121	232		239,732	24,535	10.23	26,501	0.904
122	240		241,392	24,895	10.31	28,708	0.840
127	256		269,244	29,939	11.12	33,254	0.809
141	263	4	307,100	20,928	6.81	36,682	0.837
143	249		268,047	27,164	10.13	33,432	0.801
143	234		278,584	36,180	12.99	35,532	0.784
143	213		301,161	34,366	11.41	38,175	0.788
143	200		305,912	39,801	13.01	41,343	0.739
137	192		320,924	47,234	14.72	45,230	0.709
127	180		298,071	43,632	14.64	46,952	0.634
124	170		295,518	42,209	14.28	48,704	0.606
123	162		305,043	40,605	13.31	49,582	0.615
121	154		301,694	42,200	13.99	49,385	0.610
120	150		296,725	46,079	15.53	51,267	0.578

TABLE (continued)

Year	# of Banks	National Banks	State & Private Banks	Private Banks	Total Deposits	FNB Denver Deposits	%
1900	117	37	80		68,891	19,383	28.14
1901	122	45	81				
1902	133	48	85				
1903	140	55	85				
1904	145	59	86				
1905	159	68	91		107,601	21,897	20.35
1906	161	75	86		117,365	21,890	18.65
1907	197	97	100	56	130,405	18,206	13.96
1908	246	114	132		119,586	19,473	16.28
1909	254	114	140		133,704	23,351	17.46
1910	285	121	164		143,666	19,071	13.27
1911	312	126	186		135,403	18,867	13.93
1912	317	127	190		141,175	20,406	14.45
1913	323	126	197		144,852	18,213	12.57
1914	330	124	206	37	146,396	15,410	10.53
1915	332	122	210		150,461	18,589	12.35

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TABLE (continued)

National Banks	State & Private Banks	Private Banks	Total Deposits	FNB Denver Deposits	%	U.S. Deposits (000)	Colorado %
37	80		68,891	19,383	28.14	6,792	1.014
45	81						
48	85						
55	85						
59	86						
68	91		107,601	21,897	20.35	11,028	0.975
75	86		117,365	21,890	18.65	11,791	0.995
97	100	56	130,405	18,206	13.96	12,727	1.024
114	132		119,586	19,473	16.28	12,425	0.962
114	140		133,704	23,351	17.46	13,789	0.969
121	164		143,666	19,071	13.27	14,644	0.981
126	186		135,403	18,867	13.93	15,452	0.876
127	190		141,175	20,406	14.45	16,455	0.857
126	197		144,852	18,213	12.57	16,808	0.861
124	206	37	146,396	15,410	10.53	17,806	0.822
122	210		150,461	18,589	12.35	18,612	0.808

TABLE (continued)

ear	# of Banks	National Banks	State Banks	Private Banks	Total Deposits (000)	FNB Denver Deposits	%	U.S. Deposits (000,000)
01	139	52	29	58				
02	142	53	33	56				
03	148	47	43	58				
04	124	49	31	44				
05		46		50	31,784	8,318	25.17	5,539
06	127	42	33	52				
07		41		55				
08	117	37	32	48				
09		36		55				

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TABLE (continued)

ks	National Banks	State Banks	Private Banks	Total Deposits (000)	FNB Denver Deposits	%	U.S. Deposits (000,000)	Colorado %
	52	29	58					
	53	33	56					
	47	43	58					
	49	31	44					
	46		50	31,784	8,318	25.17	5,539	0.573
	42	33	52					
	41		55					
	37	32	48					
	36		55					

TABLE (continued)

Year	# of Banks	National Banks	State Banks	Private Banks	Total Deposits (000)	FNB Denver Deposits	%	U.S. Deposi (000,0
1876		10						
1877		13	5					
1878		13	4					
1879	42	14	6	22				
1880	45	14	6	25	3,480 [2]	1,949	56.0 [2]	2,22
1881	74	17	7	50				
1882	74	19	6	49				
1883	81	22	8	51				
1884	78	23	8	47				
1885	76	25	8	43	10,607 [2]	2,668	25.15 [2]	3,07
1886	88	27	8	53				
1887		31		65				
1888	117	34	14	69				
1889		36		73				
1890		45		70	29,262	3,859	13.19	4,57

[2] National and State Chartered Banks only.

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TABLE (continued)

National Banks	State Banks	Private Banks	Total Deposits (000)	FNB Denver Deposits	%	U.S. Deposits (000,000)	Colorado %
10							
13	5						
13	4						
14	6	22					
14	6	25	3,480 [2]	1,949	56.0 [2]	2,222	0.156
17	7	50					
19	6	49					
22	8	51					
23	8	47					
25	8	41	10,607 [2]	2,668	25.15 [2]	3,078	0.344
27	8	53					
31		65					
34	14	69					
36		73					
45		70	29,262	3,859	13.19	4,576	0.639

[2] State Chartered Banks only.

TABLE D. Ex. 28

Commercial Banks in Colorado

Year	# of Banks	National Banks	State Banks	Private Banks	Total Deposits (000)	FNB Denver Deposits	%	U. Depo (000
1862								
1863								
1864								
1865		1			[162] 1/	162	100.0 1/	
1866								
1867								
1868								
1869								
1870		3			1,667 1/	1,074	64.4 1/	7
1871								
1872								
1873								
1874								
1875		8			2,593 1/	607	23.4 1/	2,0

1/ National Banks only.

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TABLE D. Ex. 28

Commercial Banks in Colorado

National Banks	State Banks	Private Banks	Total Deposits (000)	FNB Denver Deposits	%	U.S. Deposits (000,000)	Colorado %
1			[162] [1]	162	100.0 [1]	456	0.035
3			1,667 [1]	1,074	64.4 [1]	775	0.215
8			2,593 [1]	607	23.4 [1]	2,009	0.129

[1] Banks only.

TABLE (continued)

Year	# of Banks	National Banks	State Banks	Banking Organizations	Total Colorado Deposits	FNB Colorado Deposits	%	U.S Depos
1960	164	78	86	162	2,006,322	318,957	15.90	230,5
1961	166	80	86	164	2,302,312	347,203	15.08	249,5
1962	174	88	86	170	2,344,015	360,441	15.38	263,0
1963	196	104	92	191	2,521,446	369,627	14.66	276,2
1964	210	115	95	203	2,694,647	404,406	15.01	308,4
1965	212	117	95	204	2,864,509	427,416	14.92	333,1
1966	215	117	98	206	3,007,182	441,270	15.40	355,1
1967	217	118	99	208	3,446,500	509,736	14.79	398,2
1968	221	119	102	207	3,857,762	568,986	14.75	437,4
1969	224	120	104	206	3,939,125	529,782	13.45	459,4
1970	228	126	102	198	4,332,729	589,633	13.61	528,0

* Preliminary Estimate; American Banker.

SOURCE: Poor's Bank & Finance Manuals, scattered bank data for early years in Colorado.

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TABLE (continued)

of anks	National Banks	State Banks	Banking Organizations	Total Colorado Deposits	FNB Colorado Deposits	%	U.S. Deposits	Colorado %
164	78	86	162	2,006,322	318,957	15.90	230,532	0.870
66	80	86	164	2,302,312	347,203	15.08	249,504	0.922
74	88	86	170	2,344,015	360,441	15.38	263,060	0.891
96	104	92	191	2,521,446	369,627	14.66	276,230	0.912
10	115	95	203	2,694,647	404,406	15.01	308,427	0.873
12	117	95	204	2,864,509	427,416	14.92	333,179	0.859
15	117	98	206	3,007,182	441,270	15.40	355,128	0.806
17	118	99	208	3,446,500	509,736	14.79	398,204	0.865
21	119	102	207	3,857,762	568,986	14.75	437,487	0.881
24	120	104	206	3,939,125	529,782	13.45	459,409	0.857
28	126	102	193	4,332,729	589,633	13.61	528,000 *	0.820

liminary Estimate; American Banker.

r's Bank & Finance Manuals, scattered bank data for early
rs in Colorado.

TABLE

D. Ex. 29

Deposit Concentration of 5 Largest Banking Organizations
Colorado - 1961-1970 (000)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	
Denver U.S. Bancorporation	429,962 18.7%	320,852 13.7%	349,414 13.9%	364,317 13.5%	418,047 14.6%	441,047 14.6%	492,676 14.3%	557,050 14.4%	595,490 15.2%	
Colorado CNB Bankshares	179,113 7.8%	193,352 8.3%	201,515 8.0%	209,714 7.8%	216,503 7.5%	229,196 7.6%	254,646 7.4%	293,662 7.6%	303,992 7.8%	
First National Bancorporation	347,242 15.1%	376,771 16.1%	374,563 14.9%	404,406 15.0%	427,416 14.9%	441,270 14.6%	509,736 14.8%	568,986 14.7	529,782 13.5%	
Central Bank & Trust Co.	142,870 6.2%	154,459 6.6%	154,463 6.2%	163,245 6.1%	160,616 5.6%	171,536 5.7%	200,225 5.8%	216,616 5.6%	209,624 5.3%	
Western Bancorporation, Inc.	96,973 4.2	119,217 5.1%	123,750 4.9%	142,987 5.3%	157,488 5.5%	156,993 5.2%	188,160 5.5%	199,225 5.2%	212,167 5.4%	
Affiliated Bankshares of Colorado Inc.										
TOTAL	1,196,160 52.0%	1,164,651 49.7%	1,203,705 48.0%	1,284,670 47.7%	1,380,071 48.1%	1,440,245 47.6%	1,645,443 47.7%	1,835,538 47.6%	1,851,055 47.2%	2,(
Colorado	2,301,393	2,343,563	2,507,326	2,693,634	2,870,104	3,023,189	3,446,497	3,858,600	3,921,505	4,(

SOURCE: Polk's Bank & Finance Manual

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TABLE

D. Ex. 29

Deposit Concentration of 5 Largest Banking Organizations
Colorado - 1961-1970 (000)

1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1970 Including the Greeley Acquisition
429,962 18.7%	320,852 13.7%	349,414 13.9%	364,317 13.5%	418,047 14.6%	441,047 14.6%	492,676 14.3%	557,050 14.4%	595,490 15.2%	645,370 14.9%	
179,113 7.8%	193,352 8.3%	201,515 8.0%	209,714 7.8%	216,503 7.5%	229,196 7.6%	254,646 7.4%	293,662 7.6%	303,992 7.8%	315,040 7.3%	
347,242 15.1%	376,771 16.1%	374,563 14.9%	404,406 15.0%	427,416 14.9%	441,270 14.6%	509,736 14.8%	568,986 14.7	529,782 13.5%	589,633 13.6%	630,495 14.6%
142,870 6.2%	154,459 6.6%	154,463 6.2%	163,245 6.1%	160,616 5.6%	171,536 5.7%	200,225 5.8%	216,616 5.6%	209,624 5.3%	236,938 5.5%	
96,973 4.2	119,217 5.1%	123,750 4.9%	142,987 5.3%	157,488 5.5%	156,993 5.2%	188,160 5.5%	199,225 5.2%	212,167 5.4%		
									285,846 6.6%	
1,196,160 52.0%	1,164,651 49.7%	1,203,705 48.0%	1,284,670 47.7%	1,380,071 48.1%	1,440,245 47.6%	1,645,443 47.7%	1,835,538 47.6%	1,851,055 47.2%	2,072,827 47.8%	2,113,689 48.8%
2,301,393	2,343,563	2,507,326	2,693,634	2,870,104	3,023,189	3,446,497	3,858,600	3,921,505	4,332,729	4,332,729

ank & Finance Manual

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TABLE

PERCENTAGE SHARE OF DEPOSITS OF LARGEST, THREE LARGEST AND FIVE LARGEST BANKING ORGANIZATIONS BY STATE 12/31/69 COMPARED WITH YEAR END 1970 COLORADO SHARES— ACTUAL (( )) AND INCLUDING PENDING ([ ]) GREELEY MERGER

Rank Largest	State	Largest (%)	3 Largest Rank	3 Largest (%)	5 Largest Rank	5 Largest (%)
1	Nevada	61.03	3	87.26	1	97.58
2	Rhode Island	53.92	2	90.19	3	96.93
3	California	50.97	7	74.89	4	94.02
4	Arizona	46.16	1	90.89	2	97.43
5	Oregon	42.54	4	84.04	9	86.10
6	Hawaii	40.79	5	81.03	5	93.58
7	Idaho	35.25	6	77.10	10	86.01
8	Massachusetts	34.35	14	58.07	13	75.28
9	Delaware	33.90	8	74.09	6	92.80
10	Washington	33.86	11	64.16	12	77.48
11	Alaska	33.19	10	71.03	8	86.33
12	D. C.	31.25	9	71.37	7	90.63
13	Utah	30.65	13	59.72	14	72.17
14	Montana	28.32	18	48.85	21	57.91
15	Minnesota	27.28	16	54.19	19	58.35
16	Puerto Rico	24.69	15	56.89	16	62.38
17	New York	23.86	12	60.56	11	81.68
18	South Dakota	22.80	26	41.68	31	45.00
19	South Carolina	22.64	19	46.22	20	58.10
20	North Carolina	20.67	17	51.05	15	67.11
21	Illinois	20.35	21	43.81	23	50.62
22	Maryland	20.01	22	43.57	17	62.34
23	Georgia	19.75	24	42.19	25	49.81
24	Michigan	18.96	27	37.97	26	52.49
25	North Dakota	18.09	25	41.77	30	47.72
26	Connecticut	18.01	20	45.51	18	59.60
27	New Hampshire	17.31	32	32.93	33	41.29
28	Wisconsin	16.54	34	29.00	40	31.92
29	New Mexico	15.81	23	42.46	27	49.23
30	Pennsylvania	15.59	33	30.99	32	43.16
31	Wyoming	15.12	36	28.57	35	36.22
32	Maine	15.07	28	37.70	22	53.38
(33	Colorado	14.90	30	35.78	28	47.84)
[33	Colorado	14.90	30	36.72	28	47.78]
34	Vermont	15.01	29	37.64	24	49.90
35	Virginia	13.86	31	33.61	29	47.79
36	Mississippi	13.53	35	28.60	37	33.78
37	Alabama	12.49	41	23.71	41	31.90
38	Ohio	10.47	43	22.33	42	31.60
39	Nebraska	10.44	38	25.50	36	34.91
40	Kentucky	10.38	39	25.16	38	32.86

Rank Largest	State	Largest (%)	3 Largest Rank	3 Largest (%)	5 Largest Rank	5 Largest (%)
41	Louisiana	10.33	45	22.27	44	29.31
42	Indiana	9.94	40	23.91	45	28.59
43	Tennessee	9.84	37	27.46	34	39.03
44	Missouri	8.92	42	23.62	43	30.78
45	Florida	8.04	47	19.23	47	26.69
46	Texas	7.57	46	20.07	46	27.70
47	Oklahoma	7.50	44	22.31	39	32.06
48	Arkansas	7.06	41	15.60	49	21.12
49	Iowa	6.28	51	12.36	51	17.38
50	Kansas	5.58	52	11.55	52	15.68
51	West Virginia	5.43	50	13.20	50	17.99
52	New Jersey	5.38	41	14.28	48	21.40

Sources: Deposits of Commercial Banks: American Banker. Holding Companies: Federal Reserve Board, Subsidiary Banks of Bank Holding Companies, December 31, 1969. Deposits of States: FDIC Report of Call.

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TABLE

Regulation of Branch Banking by State *

Unlimited Statewide Branching	Some Branching Limitations	Hq. County or City or Less	No Branches or Facilities Only
Alaska [1]	Hawaii [16]	Alabama [23]	Arkansas [36]
Arizona [2]	Maine [17]	Georgia [24]	Colorado [37]
California [3]	Mississippi [18]	Indiana [25]	Florida [38]
Connecticut [4]	New York [19]	Kentucky [26]	Illinois [39]
Delaware [5]	Pennsylvania [20]	Louisiana [27]	Iowa [40]
Dist. of Col.[6]	Utah [21]	Massachusetts [28]	Kansas [41]
Idaho [7]	Virginia [22]	Michigan [29]	Minnesota [42]
Maryland [8]		New Hampshire [30]	Missouri [43]
Nevada [9]		New Jersey [31]	Montana [44]
North Carolina [10]		New Mexico [32]	Nebraska [45]
Oregon [11]		Ohio [33]	North Dakota [46]
Rhode Island [12]		Tennessee [34]	Oklahoma [47]
South Carolina [13]		Wisconsin [35]	South Dakota [48]
Vermont [14]			Texas [49]
Washington [15]			West Virginia [50]
			Wyoming [51]

* Where recent amendments have significantly changed a state's branch banking laws [e.g. New Jersey and Wisconsin] the above classifications were made on the basis of the previously prevailing law since the structure of the state's banking industry was dictated by the former legislation. See *Annual Report of the Federal Deposit Insurance Corporation* (1960) at 45.

[1] Alas. Stats. § 06.05.395 (1962).

[2] Ariz. Rev. Stats. § 6-223.

[3] Calif. Financial Code Ann. § 500.

[4] Conn. Gen. Stats § 36-59. (Unlimited branching by merger. Some restrictions on *de novo* branches.)

[5] Dela. Code Ann. § 5-770.

[6]

"No corporation shall engage in or do the business of a bank . . . in the District of Columbia nor shall any branch be established . . until the approval and consent of the Comptroller of the Currency is secured." D.C. Code § 26-103(b).

[7] Idaho Code § 26-1001.

[8] Ann. Code of Md., Art. 11 § 65.

[9] Nev. Rev. Stats. § 660.010.

[10] N.C. Code § 53-62.

[11] Ore. Rev. Stats. § 714.050 et seq. (Unlimited branching by merger. Some restrictions on *de novo* branches.)

[12] Gen. Laws of R.I. § 19-1-13.

[13] S.C. Code §8-57.

[14] Vermont Stats. Ann. Title 8 §§ 501-503.

[15] Rev. Code Wash. § 30.40.020. (Unlimited branching by merger. Some restrictions on *de novo* branches.)

[16]

"... No bank shall be permitted to open or maintain in the District of Honolulu, in addition to the main office of the bank, more than four branch banks ... within each of the zones described. [Zones described by geographical boundaries.]" Hawaii Revised Stats. § 403-53 (1968).

[17]

"... No savings bank shall be permitted to establish or operate a branch or agency within the county of its main office or a county adjoining that of its main office...." 9 Me. Stats. Revised § 442.

"In addition to the powers conferred upon corporations by the general corporation law, every industrial bank shall have the following powers:

....

(4) To establish branch offices ... in the manner ... prescribed for the establishment of branches .. in the case of trust companies...." 9 Me. Stats. Revised § 2345.

"... No trust company shall be permitted to establish or operate a branch or agency except within the county of its main office or a county adjoining that of its main office...." 9 Me. Stats. Revised § 1003.

[18] 21 Miss. Code, Ch. 2, Act. 5 §§ 5228, 5229.

[19] N.Y. Bank Law § 105 (McKinney Consol. Laws).

[20] 7 P.S. § 904.

[21]

"... [N]o branch bank shall be established in any city or town in which is located a bank or banks ... regularly transacting a customary banking business, unless the bank seeking to establish such branch shall take over an existing bank. No unit bank organized and operating at a point where there are other operating banks ... shall be permitted to be acquired by another bank for the purpose of establishing a branch until such bank shall have been in operation as such for a period of 5 years." Utah Code Ann. §7-3-6.

[22]

"(a) ... [T]he State Corporation Commission ... may authorize banks ... to establish branches within the limits of the city, town or county in which the parent bank is located or to establish branches elsewhere by merger with banks located in any other county, city or town.

....

(c) Notwithstanding the limitations of the foregoing paragraphs, the State Corporation Commission may ... authorize the establishment of branch banks in cities contiguous to the county or city in which the parent bank is located, and the establishment of branch banks in counties contiguous to the city in which the parent bank is located...." 6 Code of Va. § 6.1-39.

[23] 5 Code of Ala. §§ 125, & 125(1).

[24] 13 Code of Ga. §13-203.1.

25

"In all counties having a population of less than 500,000 inhabitants . . . or in counties having 3 or more cities of the second class . . . any bank or trust company may open or establish a branch bank in any city or town within the limits of the county in which the principal office of such bank or trust company is located, if there is no bank or trust company located in such city or town." 18 Ann. Ind. Stats. § 18-1707.

26

"(2) Any corporation presently or hereafter engaged in the business of banking . . . may apply to the Commissioner of Banking and Securities for permission to establish within the city in which its principal office is located and . . . within the county in which its principal office is located a branch. . . ." Ky. Revised Stats. § 287.180.

27

"All banks, savings banks, and trust companies having a capital of $100,000 or more may open and maintain a branch office or branch offices in parishes in which there are no state banks, savings banks and trust companies."

"Not more than one branch office shall be opened in any one parish other than the parish of domicile. . . ." R.S. 6.54.

Note that while it would seem that the Louisiana statute should be categorized under "Some Branching Limitations" it is more properly classified under "Hq. County or City or Less." The rationale for this classification is that there is at least one state bank in every parish in the state. Consequently, because the language of the statute prohibits branching into parishes where a state bank is already in operation, the practical effect is that a bank may only branch within the parish of its domicile (i.e., in its headquarter county).

28

". . . The corporation . . . may establish and maintain one or more branch offices (a) in the town wherein its main office is located, or (b) in other towns within the same county having no main office or branch office of a co-operative bank. . . ." Ann. Laws of Mass. C.170, § 12.

29

"Any bank . . . may . . . establish and operate a branch or branches within a village or city other than that in which it was originally chartered: Provided, that the village or city in which it is proposed to establish and operate a branch bank has its principal office or, if not in said county, then within 25 miles of said parent bank or in a contiguous county at a point more than 25 miles from the parent bank, if such county has no bank. . . ." Mich. Stats. Ann., Ch. 241A § 23.762.

Note that because there is a bank in each county in the state this statute operates to prohibit branching beyond the county in which the bank is domiciled. The language of the statute which permits branching to contiguous counties (under certain circumstances) is of no practical effect. Therefore, the statute of the state is listed in the column with the nomenclature "Hq. County or City or Less."

30

"I. With the approval of the board, any bank may (a) establish and operate one or more branch offices within the town in which its principal office is located; (b) establish and operate one or more branch offices

within any contiguous town, provided there is not in existence . . . and still operating any bank . . . located in such contiguous town; (*e*) establish and operate a branch office within any noncontiguous town any part of which is within a radius of 15 miles of its principal office, provided no bank . . . in existence . . . and still operating is located anywhere in this state within a radius of 10 miles of the location of any such proposed branch office." N.H. Revised Stats. Ann. §384-B:2.

[31] 17 N.J. Stats. Ann. § 17:9A-19.

Note that as of July, 1969, by amendment, the state has divided into 3 banking districts.

[32]

"Branches or banks authorized under the provisions hereof shall be authorized to . . . do a general banking business, provided, however, that such branches must be located in the same county in which said bank is located, in an adjoining county if there be no bank in operation in such adjoining county, or within a radius of 100 miles from said bank if there be no bank in operation in the county in which such branch is opened. . . ." N.M. Stats. § 48-2-17.

For the rationale of this classification, see *supra*, nn. 27, 29.

[33]

". . . [N]o bank shall establish a branch in any place other than that designated in its articles of incorporation as its principal place of business, except in a municipal corporation contiguous to such designated place, or in other parts of the county in which the municipal corporation in which the principal place of business of the bank is located. . . ." 11 Ohio Revised Code § 1111.03.

For rationale of this classification, see *supra*, nn. 27, 29.

[34] 45 Tenn. Code Ann. § 45-211.

[35]

"(1)(f) . . . [N]o bank shall establish more than one office of deposit and discount or, except as provided under * * * pars. (i) and (j), establish branch offices, branch banks or bank stations. . . .

(i) To establish and maintain upon approval . . ., a bank station, . . . [exclusively to perform limited services] in any town completely surrounded by outlying waters and having no bank or place where such banking may be done in the town. . . .

(j) To establish and maintain a branch bank, upon approval by the commissioner . . . in a municipality other than that in which the home bank is located, if such municipality has no bank or branch bank at the time of the application and if no bank or branch bank is located within a radius of three miles from the proposed site of the branch. . . . A branch bank established under this paragraph shall be located in the same county in which the home bank is located or in a contiguous county if the location of such branch bank is no more than 25 miles from the home bank." W.S.A. § 221.04.

[36] Ark. Stats. § 67-340 et seq.

[37] *Id.*; Colo. Revised Stats. (1963) § 14-3-1.

[38] Fla. Stats. § 659.06.

[39] *Id.*; S.H. Ill. A. Ch. 16 1/2 § 106.

[40]

"No banking institution shall open or maintain any branch bank. However, as may be authorized by and subject to the jurisdiction of the banking department any banking institution may establish an office for the sole and only purpose of receiving deposits and paying checks and performing such other clerical and routine duties not inconsistent with this section. . . ." Iowa Code Ann. § 528.51.

[41] K.S.A., 1968 Supp. 2-129, § 9-1111.

[42] M.S.A., § 48.34.

[43]

"1. Every bank and trust company created under the laws of this state may:

(1) Conduct the business of [banking] . . .; provided, however, that no bank or trust company shall maintain in this state a branch bank or trust company, or receive deposits or pay checks except in its own banking house or as provided in section 362.107. . . ." V.A.M.S. § 362.105.

V.A.M.S. § 362.107 applies to the establishment and operation of automobile banking service at *one* conveniently located facility detached from its banking house.

[44]

"No bank shall maintain any branch bank, receive deposits or pay checks, except over the counter of and in its own banking house. . . .

With the prior approval of the superintendent of banks, any bank business in this state may establish and maintain not more than one (1) detached drive-in and walk-up facility. . . ." Revised Codes of Mont. § 5-1028.

[45] Neb. R.S. 1943 (1967 Cumulative Supp) § 8-157.

[46]

6 N.D. Century Code §§ 6-03-13.1—6-03-14 provide that the state is not committed in any manner to a policy of permitting branch banking; however, upon compliance of specified conditions, separate drive-in facilities and paying and receiving stations may be authorized.

[47] 6 Okla. Stats. Ann. §§ 501, 2061.

[48]

"Branch banks may be established by a consolidating with or purchasing the assets of another bank. Except by purchase of or consolidation with *all* existing banks located in such town or city, no branch bank shall be established in any city or town of less than 3,000 population where there is an existing national or state bank regularly transacting banking business, or in any city of more than 3,000 population where there are two or more existing national or state banks, regularly transacting banking business." (Emphasis added.) 51 S.D. Compiled Laws (1967) Ann. § 51-1-1.

"No branch office shall be operated in any city or town after any state or national bank has received authority to operate in such town or city. . . ." 51 S.D. Compiled Laws (1967) Ann. § 51-8-2.

"Where a bank operates one or more branch banks within the same

municipality in which the bank is operating, no detached drive-in facility for any such branch banks shall be constructed or operated." 51 S.D. Compiled Laws (1967) Ann. § 51-8-7.

See also 51 S.D. Compiled Laws (1967) Ann. §§ 51-8-11, 51-8-12.

[49] Vernon's Ann. Civ. St. art. 342-903.

[50] W. Va. Code § 31-4-9.

[51] See Wyo. Stats. § 13-47 et seq. Wyoming law does not specifically cover this subject but it has been interpreted to preclude branching.

DX 32

Total Deposits of Insured Commercial Banks and Deposits of Five Largest Banking Organizations, December 31, 1969
(Thousands of Dollars)

	Total Deposits	Five Largest Banking Organizations Deposits	% of Total
States with unlimited statewide branching:			
Total, 14 states & D.C.	82,099,965	70,075,286	85.35
Alaska	484,299	418,113	86.33
Arizona	3,110,698	3,030,785	97.43
California	43,501,496	40,899,972	94.01
Connecticut	4,605,371	2,744,860	59.60
Delaware	1,204,726	1,117,965	92.79
District of Columbia	2,691,883	2,439,745	90.63
Idaho	1,234,935	1,062,176	86.01
Maryland	4,655,442	2,902,120	62.33
Nevada	977,958	973,851	97.58
North Carolina	6,437,944	4,320,421	67.11
Oregon	3,735,656	3,216,230	86.09
Rhode Island	1,372,043	1,329,949	96.93
South Carolina	2,141,337	1,244,135	58.10
Vermont	785,929	392,164	49.89
Washington	5,140,248	3,982,800	77.48

	Total Deposits	Five Largest Banking Organizations Deposits	% of Total
States permitting only branches in headquarters county or city or less and states with no branches or with facilities only:			
Total, 29 states	231,468,677	87,376,552	37.74
Alabama	4,428,120	1,412,498	31.89
Arkansas	2,780,141	587,103	21.11
Colorado	3,927,496	1,839,023	46.82
Florida	12,297,018	3,282,195	26.69
Georgia	6,643,347	3,308,852	49.80
Illinois	30,986,192	15,683,909	50.61
Indiana	10,141,449	2,899,371	28.58
Iowa	6,167,635	1,071,840	17.37
Kansas	4,639,159	727,606	15.68
Kentucky	4,917,576	1,616,142	32.86
Louisiana	5,840,700	1,712,142	29.31
Massachusetts	9,457,782	7,119,610	75.27
Michigan	19,185,307	10,070,199	52.48
Minnesota	8,325,173	4,857,613	58.34
Missouri	10,848,503	3,339,621	30.78
Montana	1,485,554	860,236	57.90
Nebraska	3,323,418	1,160,420	34.91
New Hampshire	824,239	340,305	41.28
New Jersey	13,686,346	2,929,380	21.40
New Mexico	1,298,022	638,960	49.23
North Dakota	1,326,363	632,958	47.72
Ohio	20,343,435	6,427,745	31.59
Oklahoma	4,877,721	1,563,951	32.06
South Dakota	1,439,625	647,894	45.00
Tennessee	6,593,376	2,573,390	39.02
Texas	23,721,775	6,570,154	27.69
West Virginia	2,495,655	448,995	17.99
Wisconsin	8,726,974	2,786,174	31.92
Wyoming	740,576	268,266	36.22

Sources: Bank Operating Statistics, 1969, FDIC. Polk's Bank Directory, March 1970.

DX 33

AVERAGE NUMBER OF COMMERCIAL BANKS PER CITY IN CITIES OF 5,000 TO 49,999 POPULATION IN THE UNITED STATES AND IN STATES WITH INDICATED BRANCHING REGULATIONS, 1970 [1]

	Cities with 1970 Population Between			
	5,000 and 9,999	10,000 and 14,999	15,000 and 29,999	30,000 and 49,999
Total United States	2.01	2.43	2.90	3.50
1. States with unlimited statewide branching	2.21	2.90	3.46	3.83
2. States permitting only branches in headquarters county or city or less and states with no branches or with facilities only	1.93	2.29	2.72	3.40
Percent average by which Group "1" states exceed Group "2" states	+14.5	+26.6	+27.2	+12.6

[1] Excludes cities in Standard Metropolitan Statistical Areas.

AVERAGE NUMBER OF COMMERCIAL BANKS PER CITY IN CITIES OF 5,000 TO 9,999 POPULATION IN THE UNITED STATES AND IN STATES WITH INDICATED BRANCHING REGULATIONS, 1970 [1]

	Average number of banks per city	Total number of cities	Number of Cities with: No banks	1 bank	2 banks	3 banks	4 banks	5 or more
Total United States	2.01	801	6	108	571	107	9	—
% of total		100.0	.7	13.5	71.3	13.4	1.1	—
States with unlimited statewide branching:								
Total, 14 states	2.21	126	1	11	76	36	2	—
% of total		100.0	.8	8.7	60.3	28.6	1.6	—
Alaska	2.50	2	—	—	1	1	—	—
Arizona	2.00	9	—	2	5	2	—	—
California	2.35	23	1	3	8	9	2	—
Connecticut	2.00	4	—	1	2	1	—	—
Delaware	2.00	2	—	—	2	—	—	—
Idaho	2.75	4	—	—	1	3	—	—
Maryland	2.50	2	—	—	1	1	—	—
Nevada	2.00	1	—	—	1	—	—	—
North Carolina	2.14	29	—	1	23	5	—	—
Oregon	2.50	8	—	—	4	4	—	—
Rhode Island	2.00	2	—	1	—	1	—	—
South Carolina	2.19	21	—	—	17	4	—	—
Vermont	2.29	7	—	1	3	3	—	—
Washington	2.00	12	—	2	8	2	—	—

[1] Excludes cities in Standard Metropolitan Statistical Areas.

	Average number of banks per city	Total number of cities	Number of Cities with: No banks	1 bank	2 banks	3 banks	4 banks	5 or more
States permitting only branches in headquarters county or city or less and states with no branches or with facilities only:								
Total, 29 states	1.93	564	5	85	423	47	4	—
% of total		100.0	.9	15.1	75.0	8.3	.7	—
Alabama	2.13	23	—	2	17	3	1	—
Arkansas	2.06	18	—	—	17	1	—	—
Colorado	2.00	8	—	—	8	—	—	—
Florida	1.43	28	2	13	12	1	—	—
Georgia	2.05	21	—	1	18	2	—	—
Illinois	1.89	37	1	6	26	4	—	—
Indiana	1.95	21	—	2	18	1	—	—
Kansas	2.62	8	—	—	4	3	1	—
Kentucky	2.25	20	—	1	14	4	1	—
Iowa	2.06	33	—	1	29	3	—	—
Louisiana	2.00	24	—	2	20	2	—	—
Massachusetts	2.11	9	—	2	5	1	1	—
Michigan	1.70	27	—	8	19	—	—	—
Minnesota	1.90	21	—	3	17	1	—	—
Missouri	2.17	23	—	1	17	5	—	—
Montana	2.00	5	—	—	5	—	—	—
Nebraska	2.07	15	—	—	14	1	—	—
New Hampshire	1.37	8	—	5	3	—	—	—
New Jersey	1.24	21	—	16	5	—	—	—
New Mexico	1.75	8	1	—	7	—	—	—
North Dakota	2.50	4	—	—	2	2	—	—
Ohio	1.90	30	—	8	17	5	—	—
Oklahoma	1.96	24	—	1	23	—	—	—
South Dakota	2.00	4	—	—	4	—	—	—
Tennessee	2.00	24	—	2	20	2	—	—
Texas	1.89	57	—	9	45	3	—	—
West Viginia	1.90	10	1	—	8	1	—	—
Wisconsin	2.00	27	—	2	23	2	—	—
Wyoming	2.00	6	—	—	6	—	—	—

Sources: 1970 Census of Population, Advance Report, Final Population Count, Bureau of the Census, U.S. Department of Commerce. American Bank Directory, Spring Edition, 1970. Operating Banking Offices, January 1, 1970, FDIC. Standard Metropolitan Statistical Areas of the United States, 1967, Bureau of the Budget, Executive Office of the President.

AVERAGE NUMBER OF COMMERCIAL BANKS PER CITY IN CITIES OF 10,000 TO 14,999 POPULATION IN THE UNITED STATES AND IN STATES WITH INDICATED BRANCHING REGULATIONS, 1970 [1]

	Average number of banks per city	Total number of cities	Number of Cities with: No banks	1 bank	2 banks	3 banks	4 banks	5 or more
Total United States	2.43	288	1	11	159	100	14	3
% of total		100.0	.3	3.8	55.2	34.7	4.9	1.1
States with unlimited statewide branching:								
Total, 14 states		50	—	1	13	27	8	1
% of total		100.0		2.0	26.0	54.0	16.0	2.0
Alaska	4.00	1	—	—	—	—	1	—
Arizona	2.67	3	—	—	1	2	—	—
California	3.44	9	—	—	2	2	4	1 [2]
Connecticut	2.00	3	—	1	1	1	—	—
Delaware	—	—	—	—	—	—	—	—
Idaho	3.00	2	—	—	—	2	—	—
Maryland	4.00	1	—	—	—	—	1	—
Nevada	—	—	—	—	—	—	—	—
North Carolina	2.89	9	—	—	2	6	1	—
Oregon	2.78	9	—	—	2	7	—	—
Rhode Island	4.00	1	—	—	—	—	1	—
South Carolina	2.60	5	—	—	2	3	—	—
Vermont	3.00	1	—	—	—	1	—	—
Washington	2.50	6	—	—	3	3	—	—
States permitting only branches in headquarters county or city or less and states with no branches or with facilities only:								
Total, 29 states	2.29	199	1	10	121	64	3	—
% of total		100.0	.5	5.0	60.8	32.2	1.5	—
Alabama	2.33	9	—	—	6	3	—	—
Arkansas	2.00	8	—	1	6	1	—	—
Colorado	3.00	2	—	—	—	2	—	—
Florida	2.20	10	1	—	5	4	—	—
Georgia	2.36	11	—	—	7	4	—	—
Illinois	2.12	8	—	1	5	2	—	—
Indiana	2.37	8	—	—	6	1	—	—
Iowa	2.60	5	—	—	2	3	—	—
Kansas	2.45	11	—	—	6	5	—	—
Kentucky	2.37	8	—	—	5	3	—	—
Louisiana	2.29	7	—	—	5	2	—	—
Massachusetts	1.86	7	—	1	6	—	—	—
Michigan	1.67	6	—	2	4	—	—	—
Minnesota	3.00	8	—	—	—	8	—	—
Missouri	2.25	8	—	—	6	2	—	—

[1] Excludes cities in Standard Metropolitan Statistical Areas.
[2] 5 banks.

	Average number of banks per city	Total number of cities	Number of Cities with: No banks	1 bank	2 banks	3 banks	4 banks	5 or more
Montana	2.50	2	—	—	1	1	—	—
Nebraska	3.00	2	—	—	—	2	—	—
New Hampshire	1.50	2	—	1	1	—	—	—
New Jersey	1.75	8	—	2	6	—	—	—
New Mexico	2.00	3	—	—	3	—	—	—
North Dakota	2.33	3	—	—	2	1	—	—
Ohio	2.29	14	—	—	11	2	1	—
Oklahoma	2.25	4	—	—	3	1	—	—
South Dakota	2.40	5	—	—	3	2	—	—
Tennessee	2.56	9	—	—	4	5	—	—
Texas	2.21	19	—	1	13	5	—	—
West Virginia	2.50	2	—	1	—	—	1	—
Wisconsin	2.50	8	—	—	4	4	—	—
Wyoming	2.50	2	—	—	1	1	—	—

Sources: 1970 Census of Population, Advance Report, Final Population Count, Bureau of the Census, U.S. Department of Commerce. American Bank Directory, Spring Edition, 1970. Operating Banking Offices, January 1, 1970, FDIC. Standard Metropolitan Statistical Areas of the United States, 1967, Bureau of the Budget, Executive Office of the President.

AVERAGE NUMBER OF COMMERCIAL BANKS PER CITY IN CITIES OF 15,000 TO 29,999 POPULATION IN THE UNITED STATES AND IN STATES WITH INDICATED BRANCHING REGULATIONS, 1970 [1]

	Average number of banks per city	Total number of cities	Number of Cities with: No banks	1 bank	2 banks	3 banks	4 banks	5 or more
otal United States	2.90	286	—	6	89	133	46	12
% of total		100.0		2.1	31.1	46.5	16.1	4.2
ates with unlimited statewide branching:								
Total, 14 states	3.46	54	—	—	6	24	18	6
% of total		100.0	—	—	11.1	44.5	33.3	11.1
Alaska	—	—	—	—	—	—	—	—
Arizona	3.50	2	—	—	—	1	1	—
California	4.64	11	—	—	—	—	5	6 [2]
Connecticut	3.00	1	—	—	—	1	—	—
Delaware	4.00	1	—	—	—	—	1	—
Idaho	3.25	4	—	—	—	3	1	—
Maryland	3.67	3	—	—	—	1	2	—
Nevada	3.00	1	—	—	—	1	—	—
North Carolina	3.00	14	—	—	3	8	3	—
Oregon	3.33	3	—	—	—	2	1	—
Rhode Island	—	—	—	—	—	—	—	—
South Carolina	3.50	4	—	—	—	2	2	—
Vermont	3.00	1	—	—	—	1	—	—
Washington	2.89	9	—	—	3	4	2	—
tes permitting only branches in headquarters county city or less and states with no branches or with ilities only:								
Total, 29 states	2.72	187	—	4	68	94	18	3
% of total		100.0	—	2.1	36.4	50.3	9.6	1.6
Alabama	2.80	5	—	—	3	—	2	—
Arkansas	2.60	5	—	—	3	1	1	—
Colorado	3.00	2	—	—	—	2	—	—
Florida	3.50	8	—	—	1	4	1	2 [3]
Georgia	2.78	9	—	—	3	5	1	—
Illinois	2.54	13	—	—	6	7	—	—
Indiana	2.00	8	—	—	8	—	—	—
Iowa	2.50	4	—	—	2	2	—	—
Kansas	3.11	9	—	—	—	8	1	—
Kentucky	2.25	4	—	—	3	1	—	—
Louisiana	3.00	6	—	—	—	6	—	—
Massachusetts	2.33	6	—	—	4	2	—	—
Michigan	2.62	8	—	—	4	3	1	—
Minnesota	3.00	5	—	—	1	3	1	—

[1] Excludes cities in Standard Metropolitan Statistical Areas.
[2] Five cities with 5 banks and 1 city with 6 banks.
[3] 5 banks.

	Average number of banks per city	Total number of cities	Number of Cities with: No banks	1 bank	2 banks	3 banks	4 banks	5 or more
Missouri	3.25	4	—	—	—	3	1	—
Nebraska	3.17	6	—	—	1	3	2	1
New Hampshire	2.60	5	—	—	2	3	—	—
New Jersey	1.70	10	—	4	5	1	—	—
New Mexico	2.60	5	—	—	2	3	—	—
North Dakota	3.00	1	—	—	—	1	—	—
Ohio	2.73	15	—	—	5	9	1	—
Oklahoma	2.75	8	—	—	2	6	—	—
South Dakota	3.00	1	—	—	—	1	—	—
Tennessee	3.17	6	—	—	1	3	2	—
Texas	2.53	19	—	—	9	10	—	—
West Virginia	3.20	5	—	—	1	2	2	—
Wisconsin	2.60	5	—	—	2	3	—	—
Wyoming	3.00	1	—	—	—	1	—	—
Montana	4.00	4	—	—	—	1	2	1[3]

[3] 5 banks.

Sources: 1970 Census of Population, Advance Report, Final Population Count, Bureau of the Census, U.S. Department of Commerce. American Bank Directory, Spring Edition, 1970. Operating Banking Offices, January 1, 1970, FDIC. Standard Metropolitan Statistical Areas of the United States, 1967, Bureau of the Budget, Executive Office of the President.

AVERAGE NUMBER OF COMMERCIAL BANKS PER CITY IN CITIES OF 30,000 TO 49,999 POPULATION IN THE UNITED STATES AND IN STATES WITH INDICATED BRANCHING REGULATIONS, 1970 [1]

	Average number of banks per city	Total number of cities	Number of Cities with: No banks	1 bank	2 banks	3 banks	4 banks	5 or more
Total United States	3.50	126	—	1	16	59	31	19
% of total		100.0	—	.8	12.7	46.8	24.6	15.1
States with unlimited statewide branching:								
Total, 14 states	3.83	18	—	—	1	5	8	4
% of total		100.0	—	—	5.6	27.8	44.4	22.2
Alaska	4.00	1	—	—	—	—	1	—
Arizona	—	—	—	—	—	—	—	—
California	4.00	1	—	—	—	—	1	—
Connecticut	2.50	2	—	—	1	1	—	—
Delaware	—	—	—	—	—	—	—	—
Idaho	4.00	2	—	—	—	—	2	—
Maryland	4.00	1	—	—	—	—	1	—
Nevada	—	—	—	—	—	—	—	—
North Carolina	3.67	3	—	—	—	2	—	1 [2]
Oregon	3.00	1	—	—	—	1	—	—
Rhode Island	5.00	1	—	—	—	—	—	1 [2]
South Carolina	4.50	2	—	—	—	—	1	1 [2]
Vermont	3.00	1	—	—	—	1	—	—
Washington	4.33	3	—	—	—	—	2	1 [2]
States permitting only branches in headquarters county or city or less and states with no branches or with facilities only:								
Total, 29 states	3.40	92	—	1	14	47	17	13
% of total		100.0	—	1.1	15.2	51.1	18.5	14.1
Alabama	3.00	4	—	—	—	4	—	—
Arkansas	2.00	2	—	—	2	—	—	—
Colorado	5.00	2	—	—	—	—	1	1 [3]
Florida	5.33	6	—	—	—	2	—	4 [4]
Georgia	3.33	3	—	—	—	2	1	—
Illinois	3.60	5	—	—	1	1	2	1 [2]
Indiana	2.33	6	—	—	4	2	—	—
Iowa	3.00	6	—	—	—	6	—	—
Kansas	4.00	3	—	—	—	—	3	—
Kentucky	3.00	2	—	—	—	2	—	—
Louisiana	3.33	3	—	—	—	2	1	—
Massachusetts	2.00	1	—	—	1	—	—	—

[1] Excludes cities in Standard Metropolitan Statistical Areas.

[2] 5 banks.

[3] 6 banks.

[4] 2 cities with 5 banks, 1 city with 6 banks, and 1 city with 10 banks.

	Average number of banks per city	Total number of cities	Number of Cities with: No banks	1 bank	2 banks	3 banks	4 banks	5 or more
Michigan	2.33	3	—	—	2	1	—	—
Minnesota	4.00	2	—	—	—	—	2	—
Missouri	3.00	2	—	—	—	2	—	—
Montana	—	—	—	—	—	—	—	—
Nebraska	3.00	1	—	—	—	1	—	—
New Hampshire	2.00	1	—	—	1	—	—	—
New Jersey	2.40	5	—	1	1	3	—	—
New Mexico	2.67	3	—	—	1	2	—	—
North Dakota	4.00	3	—	—	—	—	3	—
Ohio	3.17	6	—	—	—	5	1	—
Oklahoma	3.33	3	—	—	—	2	1	—
South Dakota	3.00	1	—	—	—	1	—	—
Tennessee	3.25	4	—	—	—	3	1	—
Texas	3.40	5	—	—	1	2	1	1[2]
West Virginia	6.00	1	—	—	—	—	—	1[3]
Wisconsin	4.14	7	—	—	—	4	—	3
Wyoming	5.00	2	—	—	—	—	—	2[2]

[2] 5 banks.

[3] 6 banks.

Sources: 1970 Census of Population, Advance Report, Final Population Count, Bureau of the Census, U.S. Department of Commerce. American Bank Directory, Spring Edition, 1970. Operating Banking Offices, January 1, 1970, FDIC. Standard Metropolitan Statistical Areas of the United States, 1967, Bureau of the Budget, Executive Office of the President.

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AVERAGE NUMBER OF COMMERCIAL BANKING ORGANIZATIONS PER CITY IN CITIES OF 5,000 TO 49,999 POPULATION IN THE UNITED STATES AND IN STATES WITH INDICATED BRANCHING REGULATIONS, 1970 [1]

	Cities with 1970 Population Between			
	5,000 and 9,999	10,000 and 14,999	15,000 and 29,999	30,000 and 49,999
Total United States	1.99	2.41	2.83	3.29
1. States with unlimited statewide branching	2.21	2.90	3.46	3.83
2. States permitting only branches in headquarters county or city or less and states with no branches or with facilities only	1.91	2.26	2.63	3.12
Percent average by which Group "1" states exceed Group "2" states	+15.7	+28.3	+31.6	+22.8

[1] Excludes cities in Standard Metropolitan Statistical Areas.

AVERAGE NUMBER OF COMMERCIAL BANKING ORGANIZATIONS PER CITY IN CITIES OF 5,000 TO 9,999 POPULATION IN THE UNITED STATES AND IN STATES WITH INDICATED BRANCHING REGULATIONS, 1970 [1]

	Average number of banks per city	Total number of cities	Number of Cities with: No banks	1 bank	2 banks	3 banks	4 banks	5 or more
Total United States	1.99	801	6	111	575	101	8	—
% of total		100.0	.7	13.9	71.8	12.6	1.0	—
States with unlimited statewide branching:								
Total, 14 states	2.21	126	1	11	77	35	2	—
% of total		100.0	.8	8.7	61.1	27.8	1.6	—
Alaska	2.50	2	—	—	1	1	—	—
Arizona	2.00	9	—	2	5	2	—	—
California	2.35	23	1	3	8	9	2	—
Connecticut	2.00	4	—	1	2	1	—	—
Delaware	2.00	2	—	—	2	—	—	—
Idaho	2.75	4	—	—	1	3	—	—
Maryland	2.50	2	—	—	1	1	—	—
Nevada	2.00	1	—	—	1	—	—	—
North Carolina	2.14	29	—	1	23	5	—	—
Oregon	2.50	8	—	—	4	4	—	—
Rhode Island	2.00	2	—	1	—	1	—	—
South Carolina	2.14	21	—	—	18	3	—	—
Vermont	2.29	7	—	1	3	3	—	—
Washington	2.00	12	—	2	8	2	—	—

[1] Excludes cities in Standard Metropolitan Statistical Areas.

	Average number of banks per city	Total number of cities	Number of Cities with: No banks	1 bank	2 banks	3 banks	4 banks	5 or more
States permitting only branches in headquarters county or city or less and states with no branches or with facilities only:								
Total, 29 states	1.91	564	5	88	425	42	4	—
% of total		100.0	.9	15.6	75.4	7.4	.7	—
Alabama	2.13	23	—	2	17	3	1	—
Arkansas	2.06	18	—	—	17	1	—	—
Colorado	2.00	8	—	—	8	—	—	—
Florida	1.39	28	2	14	11	1	—	—
Georgia	2.05	21	—	1	18	2	—	—
Illinois	1.89	37	1	6	26	4	—	—
Indiana	1.95	21	—	2	18	1	—	—
Iowa	2.06	33	—	1	29	3	—	—
Kansas	2.62	8	—	—	4	3	1	—
Kentucky	2.20	20	—	2	13	4	1	—
Louisiana	2.00	24	—	2	20	2	—	—
Massachusetts	2.11	9	—	2	5	1	1	—
Michigan	1.70	27	—	8	19	—	—	—
Minnesota	1.86	21	—	3	18	—	—	—
Missouri	2.17	23	—	1	17	5	—	—
Montana	2.00	5	—	—	5	—	—	—
Nebraska	2.00	15	—	—	15	—	—	—
New Hampshire	1.37	8	—	5	3	—	—	—
New Jersey	1.24	21	—	16	5	—	—	—
New Mexico	1.75	8	1	—	7	—	—	—
North Dakota	2.50	4	—	—	2	2	—	—
Ohio	1.90	30	—	8	17	5	—	—
Oklahoma	1.96	24	—	1	23	—	—	—
South Dakota	2.00	4	—	—	4	—	—	—
Tennessee	2.00	24	—	2	20	2	—	—
Texas	1.84	57	—	10	46	1	—	—
West Virginia	1.90	10	1	—	8	1	—	—
Wisconsin	1.96	27	—	2	24	1	—	—
Wyoming	2.00	6	—	—	6	—	—	—

Sources: 1970 Census of Population, Advance Report, Final Population Count, Bureau of the Census, U.S. Department of Commerce. American Bank Directory, Spring Edition, 1970. Operating Banking Offices, January 1, 1970, FDIC. Standard Metropolitan Statistical Areas of the United States, 1967, Bureau of the Budget, Executive Office of the President. Subsidiary Banks of Bank Holding Companies, Dec. 31, 1969, Federal Reserve.

AVERAGE NUMBER OF COMMERCIAL BANKING ORGANIZATIONS PER CITY IN CITIES OF 10,000 TO 14,999 POPULATION IN THE UNITED STATES AND IN STATES WITH INDICATED BRANCHING REGULATIONS, 1970 [1]

	Average number of banks per city	Total number of cities	Number of Cities with: No banks	1 bank	2 banks	3 banks	4 banks	5 or more
Total United States	2.41	288	1	12	164	94	14	3
% of total		100.0	.3	4.2	56.9	32.6	4.9	1.1
States with unlimited statewide branching:								
Total, 14 states	2.90	50	—	1	13	27	8	1
% of total		100.0		2.0	26.0	54.0	16.0	2.0
Alaska	4.00	1	—	—	—	—	1	—
Arizona	2.67	3	—	—	1	2	—	—
California	3.44	9	—	—	2	2	4	1[2]
Connecticut	2.00	3	—	1	1	1	—	—
Delaware	—	—	—	—	—	—	—	—
Idaho	3.00	2	—	—	—	2	—	—
Maryland	4.00	1	—	—	—	—	1	—
Nevada	—	—	—	—	—	—	—	—
North Carolina	2.89	9	—	—	2	6	1	—
Oregon	2.78	9	—	—	2	7	—	—
Rhode Island	4.00	1	—	—	—	—	1	—
South Carolina	2.60	5	—	—	2	3	—	—
Vermont	3.00	1	—	—	—	1	—	—
Washington	2.50	6	—	—	3	3	—	—

[1] Excludes cities in Standard Metropolitan Statistical Areas.

[2] Five banks.

	Average number of banks per city	Total number of cities	Number of Cities with: No banks	1 bank	2 banks	3 banks	4 banks	5 or more
Total, 29 states	2.26	199	1	11	125	59	3	—
% of total		100.0	.5	5.5	62.8	29.7	1.5	—
Alabama	2.33	9	—	—	6	3	—	—
Arkansas	1.87	8	—	1	7	—	—	—
Colorado	3.00	2	—	—	—	2	—	—
Florida	1.90	10	1	1	6	2	—	—
Georgia	2.36	11	—	—	7	4	—	—
Illinois	2.12	8	—	1	5	2	—	—
Indiana	2.37	8	—	—	6	1	1	—
Iowa	2.60	5	—	—	2	3	—	—
Kansas	2.45	11	—	—	6	5	—	—
Kentucky	2.37	8	—	—	5	3	—	—
Louisiana	2.29	7	—	—	5	2	—	—
Massachusetts	1.86	7	—	1	6	—	—	—
Michigan	1.67	6	—	2	4	—	—	—
Minnesota	3.00	8	—	—	—	8	—	—
Missouri	2.25	8	—	—	6	2	—	—
Montana	2.50	2	—	—	1	1	—	—
Nebraska	2.00	2	—	—	2	—	—	—
New Hampshire	1.50	2	—	1	1	—	—	—
New Jersey	1.75	8	—	2	6	—	—	—
New Mexico	2.00	3	—	—	3	—	—	—
North Dakota	2.33	3	—	—	2	1	—	—
Ohio	2.29	14	—	—	11	2	1	—
Oklahoma	2.25	4	—	—	3	1	—	—
South Dakota	2.40	5	—	—	3	2	—	—
Tennessee	2.56	9	—	—	4	5	—	—
Texas	2.21	19	—	1	13	5	—	—
West Virginia	2.50	2	—	1	—	—	1	—
Wisconsin	2.50	8	—	—	4	4	—	—
Wyoming	2.50	2	—	—	1	1	—	—

Sources: 1970 Census of Population, Advance Report, Final Population Count, Bureau of the Census, U.S. Department of Commerce. American Bank Directory, Spring Edition, 1970. Operating Banking Offices, January 1, 1970, FDIC. Standard Metropolitan Statistical Areas of the United States, 1967, Bureau of the Budget, Executive Office of the President. Subsidiary Banks of Bank Holding Companies, Dec. 31, 1969, Federal Reserve.

AVERAGE NUMBER OF COMMERCIAL BANKING ORGANIZATIONS PER CITY IN CITIES OF 15,000 TO 29,999 POPULATION IN THE UNITED STATES AND IN STATES WITH INDICATED BRANCHING REGULATIONS, 1970 [1]

	Average number of banks per city	Total number of cities	Number of Cities with: No banks	1 bank	2 banks	3 banks	4 banks	5 or more
Total United States	2.83	286	—	6	97	133	41	9
% of total		100.0		2.1	33.9	46.5	14.3	3.2
States with unlimited statewide branching:								
Total, 14 states	3.46	54	—	—	6	24	18	6
% of total		100.0	—	—	11.1	44.5	33.3	11.1
Alaska	—	—	—	—	—	—	—	—
Arizona	3.50	2	—	—	—	1	1	—
California	4.64	11	—	—	—	—	5	6 [2]
Connecticut	3.00	1	—	—	—	1	—	—
Delaware	4.00	1	—	—	—	—	1	—
Idaho	3.25	4	—	—	—	3	1	—
Maryland	3.67	3	—	—	—	1	2	—
Nevada	3.00	1	—	—	—	1	—	—
North Carolina	3.00	14	—	—	3	8	3	—
Oregon	3.33	3	—	—	—	2	1	—
Rhode Island	—	—	—	—	—	—	—	—
South Carolina	3.50	4	—	—	—	2	2	—
Vermont	3.00	1	—	—	—	1	—	—
Washington	2.89	9	—	—	3	4	2	—

[1] Excludes cities in Standard Metropolitan Statistical Areas.

[2] Five cities with 5 banking organizations and 1 city with 6 banking organizations.

	Average number of banks per city	Total number of cities	Number of Cities with: No banks	1 bank	2 banks	3 banks	4 banks	5 or more
States permitting only branches in headquarters county or less and states with no branches or with facilities only:								
Total, 29 states	2.63	187	—	4	76	93	14	
% of total		100.0	—	2.1	40.7	49.7	7.5	
Alabama	2.60	5	—	—	3	1	1	—
Arkansas	2.40	5	—	—	3	2	—	—
Colorado	2.50	2	—	—	1	1	—	—
Florida	3.00	8	—	—	1	6	1	—
Georgia	2.67	9	—	—	3	6	—	—
Illinois	2.31	13	—	—	9	4	—	—
Indiana	2.00	8	—	—	8	—	—	—
Iowa	2.50	4	—	—	2	2	—	—
Kansas	3.11	9	—	—	—	8	1	—
Kentucky	2.25	4	—	—	3	1	—	—
Louisiana	3.00	6	—	—	—	6	—	—
Massachusetts	2.33	6	—	—	4	2	—	—
Michigan	2.62	8	—	—	4	3	1	—
Minnesota	2.80	5	—	—	1	4	—	—
Missouri	3.25	4	—	—	—	3	1	—
Montana	3.50	4	—	—	—	2	2	—
Nebraska	3.00	6	—	—	2	2	2	—
New Hampshire	2.40	5	—	—	3	2	—	—
New Jersey	1.70	10	—	4	5	1	—	—
New Mexico	2.60	5	—	—	2	3	—	—
North Dakota	3.00	1	—	—	—	1	—	—
Ohio	2.73	15	—	—	5	9	1	—
Oklahoma	2.75	8	—	—	2	6	—	—
South Dakota	3.00	1	—	—	—	1	—	—
Tennessee	3.17	6	—	—	1	3	2	—
Texas	2.47	19	—	—	10	9	—	—
West Virginia	3.20	5	—	—	1	2	2	—
Wisconsin	2.40	5	—	—	3	2	—	—
Wyoming	3.00	1	—	—	—	1	—	—

Sources: 1970 Census of Population, Advance Report, Final Population Count, Bureau of the Census, U.S. Department of Commerce. American Bank Directory, Spring Edition, 1970. Operating Banking Offices, January 1, 1970, FDIC. Standard Metropolitan Statistical Areas of the United States, 1967, Bureau of the Budget, Executive Office of the President. Subsidiary Banks of Bank Holding Companies, Dec. 31, 1969, Federal Reserve.

AVERAGE NUMBER OF COMMERCIAL BANKING ORGANIZATIONS PER CITY IN CITIES OF 30,000 TO 49,999 POPULATION IN THE UNITED STATES AND IN STATES WITH INDICATED BRANCHING REGULATIONS, 1970 [1]

	Average number of banks per city	Total number of cities	Number of Cities with: No banks	1 bank	2 banks	3 banks	4 banks	5 or more
Total United States	3.29	126	—	1	20	60	34	11
% of total		100.0	—	.8	15.9	47.6	27.0	8.7
States with unlimited statewide branching								
Total, 14 states	3.83	18	—	—	1	5	8	4
% of total		100.0	—	—	5.6	27.8	44.4	22.2
Alaska	4.00	1	—	—	—	—	1	—
Arizona	—	—	—	—	—	—	—	—
California	4.00	1	—	—	—	—	1	—
Connecticut	2.50	2	—	—	1	1	—	—
Delaware	—	—	—	—	—	—	—	—
Idaho	4.00	2	—	—	—	—	2	—
Maryland	4.00	1	—	—	—	—	1	—
Nevada	—	—	—	—	—	—	—	—
North Carolina	3.67	3	—	—	—	2	—	1[2]
Oregon	3.00	1	—	—	—	1	—	—
Rhode Island	5.00	1	—	—	—	—	—	1[2]
South Carolina	4.50	2	—	—	—	—	1	1[2]
Vermont	3.00	1	—	—	—	1	—	—
Washington	4.33	3	—	—	—	—	2	1[2]

[1] Excludes cities in Standard Metropolitan Statistical Areas.

[2] 5 banking organizations.

States permitting only branches in headquarters county or city or less and states with no branches or with facilities only:

Total, 29 states	3.12	92	—	1	17	49	20	5
% of total		100.0	—	1.1	18.5	53.3	21.7	5.4
Alabama	3.00	4	—	—	—	4	—	—
Arkansas	2.00	2	—	—	2	—	—	—
Colorado	4.00	2	—	—	—	—	2	—
Florida	3.83	6	—	—	1	1	2	2[2]
Georgia	3.33	3	—	—	—	2	1	—
Illinois	3.40	5	—	—	1	2	1	1[2]
Indiana	2.33	6	—	—	4	2	—	—
Iowa	3.00	6	—	—	—	6	—	—
Kansas	3.67	3	—	—	—	1	2	—
Kentucky	3.00	2	—	—	—	2	—	—
Louisiana	3.00	3	—	—	—	3	—	—
Massachusetts	2.00	1	—	—	1	—	—	—
Michigan	2.33	3	—	—	2	1	—	—
Minnesota	4.00	2	—	—	—	—	2	—
Missouri	3.00	2	—	—	—	2	—	—
Montana	—	—	—	—	—	—	—	—
Nebraska	3.00	1	—	—	—	1	—	—
New Hampshire	2.00	1	—	—	1	—	—	—
New Jersey	2.40	5	—	1	1	3	—	—
New Mexico	2.67	3	—	—	1	2	—	—
North Dakota	4.00	3	—	—	—	—	3	—
Ohio	3.17	6	—	—	—	5	1	—
Oklahoma	3.33	3	—	—	—	2	1	—
South Dakota	3.00	1	—	—	—	1	—	—
Tennessee	3.25	4	—	—	—	3	1	—
Texas	3.40	5	—	—	1	2	1	1[2]
West Virginia	5.00	1	—	—	—	—	—	1[2]
Wisconsin	2.86	7	—	—	2	4	1	—
Wyoming	4.00	2	—	—	—	—	2	—

Sources: 1970 Census of Population, Advance Report, Final Population Count, Bureau of the Census, U.S. Department of Commerce. *American Bank Directory*, Spring and Fall Editions, 1970. *Operating Banking Offices*, January 1, 1970, FDIC. Standard Metropolitan Statistical Areas of the United States, 1967, Bureau of the Budget, Executive Office of the President. *Subsidiary Banks of Bank Holding Companies*, Dec. 31, 1969, Federal Reserve.

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[1] Excludes cities in Standard Metropolitan Statistical Areas.

[2] 5 banking organizations.

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COLORADO PERCENTAGE 5 LARGEST BANKING ORGANIZATIONS

	Total	$0-$1000	1-$10,000	$10-15,000	$15-25,000	25-$100,000	100,000-
Dollars	48.271%	24.822%	35.261%	38.640%	45.037%	54.356%	77.994%
Number of accounts	26.041%	23.869%	32.175%	38.586%	44.291%	51.887%	68.563%
Figures							
Dollars	1,528,913	71,618	396,368	118,129	103,235	239,435	600,021
Number of accounts	462,349	331,781	108,646	9,715	5,330	4,851	1,699

Note that the share of the larger organizations in the small accounts is only one-third the share of those organizations is the large accounts. Yet there small accounts forms the bulk of all banking business.

	Total	$0-$1000	1-$10,000	$10-15,000	$15-25,000	25-$100,000	100,000-
Accounts	1,775,455	1,389,978	337,672	25,177	12,034	9,349	2,478
% of total	100.0%	78.3%	19.0%	1.4%	0.7%	0.5%	0.1%

To an even more marked degree, the market share of First National Bancorporation of Colorado tends to substantially overstate its penetration of the State totals in the smaller accounts.

COLORADO PERCENTAGES, FIRST NATIONAL BANCORPORATION [87]

	Total	$0-$1000	1-$10,000	$10-15,000	$15-25,000	25-$100,000	100,000-
Dollars	14.988%	5.734%	8.941%	11.115%	13.094%	18.462%	27.251%
Number of account	6.003%	5.249%	8.047%	11.061%	12.605%	17.103%	22.154%
Figures							
(000) Dollars	474,746	16,546	100,510	33,982	30,015	81,324	212,368
Number of accounts	106,586	72,962	27,173	2,785	1,517	1,599	549

[illegible] proportionately the specific categories, are lower today than in 1968 and should be adjusted downward.

TABLE

Deposits (000) and Market Share
All Banks in Boulder (1950-1970)

Boulder: United Bank		Boulder: National State Bank		Boulder: Security Bank		Boulder: Boulder National Bank		Boulder: First National Bank		Boulder: Arapahoe National Bank		
3,240	17.4	8,216	44.1					7,194	38.6			
3,787	17.8	9,013	42.3					8,524	40.0			
4,119	16.4	10,889	43.4					10,106	40.2			
4,176	16.7	10,474	41.8					10,401	41.5			
4,741	17.5	10,711	39.6					11,620	42.9			
5,118	17.3	11,683	39.5					12,775	43.2			
5,589	18.8	11,847	39.9					12,261	41.3			
6,984	21.2	12,646	38.4					13,260	40.3			
7,374	20.3	13,877	38.3					15,006	41.4			
8,070	20.5	14,854	37.7					16,449	41.8			
8,821	19.3	15,560	34.1	273	0.6			20,507	44.9	486	1.1	20,
9,649	19.7	16,203	33.0	285	0.6			21,158	43.1	1,749	3.6	22,
14,127	21.8	20,138	31.0	2,008	3.1			26,038	40.1	2,575	4.0	28,
15,353	22.0	19,813	28.4	2,602	3.7			28,941	41.5	3,097	4.4	32,
14,709	20.0	21,926	29.7	1,951	2.6	1,875	2.5	30,096	40.8	3,172	4.3	33,
17,207	20.1	23,825	27.8	2,160	2.5	3,211	3.7	35,525	41.5	3,724	4.3	39,
17,489	18.3	25,874	27.1	2,432	2.5	5,071	5.3	40,497	42.4	4,194	4.4	44,
17,975	16.8	26,498	24.7	3,000	2.8	6,870	6.4	48,285	45.0	4,624	4.3	52,
22,275	17.7	27,635	21.9	2,387	1.9	9,057	7.2	58,670	46.6	5,900	4.7	64,
24,230	18.3	28,667	21.7	3,472	2.6	10,931	8.3	58,609	44.3	6,268	4.7	64,
25,549	17.2	32,342	21.7	3,640	2.4	12,172	8.2	68,309	45.9	6,958	4.7	75,

SOURCE: Derivative from Table DX-2.

Number of accounts: 549 1,599 1,517 2,785 27,173 72,962 106,586

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TABLE

Deposits (000) and Market Share
All Banks in Boulder (1950-1970)

er: Bank		Boulder: National State Bank		Boulder: Security Bank		Boulder: Boulder National Bank		B Na
	17.4	8,216	44.1					7,
	17.8	9,013	42.3					8,
	16.4	10,889	43.4					10,
	16.7	10,474	41.8					10,
	17.5	10,711	39.6					11,
	17.3	11,683	39.5					12,
	18.8	11,847	39.9					12,
	21.2	12,646	38.4					13,
	20.3	13,877	38.3					15,
	20.5	14,954	37.7					16,
	19.3	15,560	34.1	273	0.6			20,
	19.7	16,203	33.0	285	0.6			21,
	21.8	20,138	31.0	2,008	3.1			26,
	22.0	19,813	28.4	2,602	3.7			28,
	20.0	21,926	29.7	1,951	2.6	1,875	2.5	30,
	20.1	23,325	27.8	2,160	2.5	3,211	3.7	35,
	18.3	25,874	27.1	2,432	2.5	5,071	5.3	40,
	16.8	26,498	24.7	3,000	2.8	6,870	6.4	48,
	17.7	27,635	21.9	2,387	1.9	9,057	7.2	58,
	18.3	28,667	21.7	3,472	2.6	10,931	8.3	58,
	17.2	32,342	21.7	3,640	2.4	12,172	8.2	68,

vative from Table DX-2.

Boulder: First National Bank		Boulder: Arapahoe National Bank		ABC Total		Boulder Total
194	38.6					18,650
524	40.0					21,324
106	40.2					25,114
401	41.5					25,051
620	42.9					27,072
775	43.2					29,578
261	41.3					29,697
260	40.3					32,350
006	41.4					36,267
449	41.8					39,378
507	44.9	486	1.1	20,993	46.0	45,647
158	43.1	1,749	3.6	22,907	46.7	49,044
038	40.1	2,575	4.0	28,613	44.1	64,808
941	41.5	3,097	4.4	32,038	45.9	69,811
096	40.8	3,172	4.3	33,268	45.1	73,729
525	41.5	3,724	4.3	39,249	45.8	85,652
497	42.4	4,194	4.4	44,691	46.8	95,527
285	45.0	4,624	4.3	52,909	49.3	107,262
670	46.6	5,900	4.7	64,570	51.3	125,924
609	44.3	6,268	4.7	64,877	49.1	132,177
309	45.9	6,958	4.7	75,267	50.5	148,970

TABLE

Deposits (000) and Market Share
All Banks in Littleton (1950 - 1970)

Year	Littleton: Littleton National Bank		Littleton: United Bank of		Littleton: First National of Southglenn	
1950	4,390					
1951	4,826					
1952	5,604					
1953	5,773					
1954	7,770					
1955	7,322					
1956	7,426					
1957	8,063					
1958	9,553	79.9	2,403	20.1		
1959	9,946	73.9	3,515	26.1		
1960	11,041	72.2	4,254	27.8		
1961	10,657	66.6	5,341	33.4		
1962	11,646	64.9	6,290	35.1		
1963.	11,934	62.3	7,228	37.7		
1964	12,426	59.3	8,155	38.9	378	1.8
1965	12,758	52.5	9,787	41.1	1,234	5.4
1966	11,985	47.1	11,412	44.9	2,047	8.0
1967	12,275	44.9	12,212	44.7	2,848	10.4
1968	14,418	46.0	13,078	41.7	3,858	12.3
1969	14,347	43.0	14,242	42.7	4,773	14.3
1970	15,572	39.2	16,826	42.4	7,322	18.4

CE: Derivative from Table DX-2.

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TABLE

Deposits (000) and Market Share
All Banks in Littleton (1950 - 1970)

Littleton: Littleton National Bank		Littleton: United Bank of		Littleton: First National Bk. of Southglenn		Littleton Totals
4,390						
4,826						
5,604						
5,773						
7,770						
7,322						
7,426						
8,063						
9,553	79.9	2,403	20.1			11,956
9,946	73.9	3,515	26.1			13,461
11,041	72.2	4,254	27.8			15,295
10,657	66.6	5,341	33.4			15,998
11,648	64.9	6,290	35.1			17,938
11,934	62.3	7,228	37.7			19,162
12,426	59.3	8,155	38.9	378	1.8	20,959
12,758	53.5	9,787	41.1	1,234	5.4	23,829
11,985	47.1	11,412	44.9	2,047	8.0	25,444
12,275	44.9	12,212	44.7	2,848	10.4	27,335
14,418	46.0	13,078	41.7	3,856	12.3	31,352
14,347	43.0	14,242	42.7	4,773	14.3	33,362
15,572	39.2	16,826	42.4	7,322	18.4	39,720

m Table DX-2.

TABLE D. Ex. 38

Deposits (000) and Market Share
All Banks in Aurora (1950-1970)

	Aurora: Aurora National Bank		Aurora: United Bank of Aurora		Aurora: Peoples Bank & Trust		Aurora Total
1950			4,721	100.0			4,721
1951			5,880	100.0			5,880
1952			6,484	100.0			6,484
1953			6,732	100.0			6,732
1954			7,332	100.0			7,332
1955			7,366	100.0			7,366
1956			7,712	100.0			7,712
1957			6,668	85.8	1,108	14.2	7,776
1958			7,153	73.3	2,599	26.7	9,752
1959			6,871	66.7	3,423	33.3	10,294
1960			6,935	53.8	5,948	46.2	12,883
1961			7,981	51.4	7,556	48.6	15,537
1962			7,967	47.6	8,759	52.4	16,726
1963	1,308	8.5	7,947	41.7	9,315	48.8	19,070
1964	4,217	18.5	9,048	39.7	9,518	41.8	22,781
1965	5,681	22.9	9,174	35.7	10,645	41.4	25,700
1966	6,086	22.0	9,281	33.6	12,271	44.4	27,638
1967	9,049	26.9	10,475	31.2	14,098	41.9	33,622
1968	10,955	27.7	10,815	27.4	17,746	44.9	39,516
1969	13,098	29.8	11,882	27.0	19,030	43.2	44,010
1970	16,885	30.5	14,606	26.4	23,916	43.2	55,407

SOURCE: Derivative from Table DX-2.

TABLE

Deposits (000) and Market Share
All Banks in Greeley (1950-1970)

Year	Greeley Cache Natl. Bk		Greeley: Greeley Natl Bk		Greeley: W. Greeley Natl. Bk		ABC Total		Greeley: First Natl Bk		Greeley State Bank of		Greeley: United Bank of		Greeley City Total
1950			10,092	33.3					15,084	49.8			5,100	16.8	30,276
1951			12,742	37.6					15,913	47.0			5,221	15.4	33,876
1952			13,786	37.3					17,275	46.8			5,905	16.0	36,966
1953			14,674	36.5					17,297	45.4			6,169	16.2	38,100
1954			14,754	37.0					18,172	45.6			6,928	17.4	39,854
1955			13,205	35.5					16,930	45.5			7,042	18.9	37,177
1956			14,883	37.7					17,001	43.1			7,549	19.1	39,433
1957			17,613	40.1					17,009	38.8			9,257	21.1	43,878
1958			19,300	38.7					20,605	41.3			9,939	19.9	49,844
1959			18,813	38.7					19,240	39.5			10,605	21.8	48,658
1960			19,372	37.8					20,652	40.3			11,266	22.0	51,290
1961			22,133	39.5					21,440	38.3			12,413	22.2	55,986
1962	1,406	2.0	26,745	38.3			28,151	40.3	25,961	37.2			14,933	21.4	69,832
1963	2,221	3.0	27,808	37.6	311	0.4	30,340	41.1	27,472	37.2			16,083	21.8	73,895
1964	2,431	3.2	27,992	36.8	800	1.1	31,223	41.1	28,711	37.8			16,085	21.2	76,019
1965	3,116	3.7	31,037	37.0	1,333	1.6	35,516	42.3	30,545	36.4	1,209	1.4	16,884	19.9	83,964
1966	3,981	4.4	33,169	36.4	1,915	2.1	39,065	42.9	32,332	35.5	1,507	1.7	18,200	20.0	91,104
1967	4,791	4.8	34,676	35.1	2,520	2.5	41,987	42.5	35,783	36.2	1,820	1.8	19,276	19.5	98,866
1968	5,823	5.2	40,616	36.5	2,770	2.5	49,209	44.2	36,943	33.2	2,147	1.9	23,104	20.7	111,403
1969	6,719	5.7	41,619	35.3	3,066	2.6	51,404	43.6	40,263	34.1	2,156	1.8	24,109	20.4	117,932
1970	7,738	6.2	43,735	34.9	3,557	2.8	55,030	43.9	40,862	32.6	2,120	1.7	27,370	21.8	125,382

SOURCE: Derivative from Table DX-2.

DX 40

POPULATION PER BANKING OFFICE ALL COLORADO COUNTIES
50,000 or More
(year end 1970)
In Descending Order of Population Per Banking Office

Name of County	Number of Banks	Population	Population Per Banking Office
Adams	6	185,789	30,964
Jefferson	11	233,031	21,185
Pueblo	7	118,238	16,891
Denver	31	514,678	16,602
Arapahoe	11	162,142	—
El Paso	19	235,972	12,419
Mesa	5	54,374	10,874
Boulder	12	131,889	10,991
Larimer	10	—	89,900
WELD	15	89,297	5,953

Source: U.S. Department of Commerce, Bureau of the Census; *American Bank Directory.*

DX 41

POPULATION PER BANKING OFFICE,
ALL COLORADO COMMUNITIES 15,000 OR MORE
(Year End 1970)
In Descending Order of Population

Name of City	Number of Banks	Population	Population Per Banking Office
Sherrellwood	0	18,868	∞
Lakewood	3	92,787	30,929
North Glenn	1	27,937	27,937
Aurora	3	74,974	24,991
Arvada	2	46,814	23,407
Fort Carson	1	19,399	19,399
Commerce City	1	17,407	17,407
Denver	31	514,678	16,602
Security-Widefield	1	15,297	15,297
Wheatridge	2	29,795	14,898
Pueblo	7	97,543	13,934
Englewood	3	33,695	11,231
Boulder	6	66,870	11,143
Fort Collins	4	43,337	10,834
Westminster	2	19,432	9,716
Colorado Springs	14	135,060	9,647
Littleton	3	26,466	8,822
Longmont	3	23,209	7,736
Littleton Southeast	3	22,899	7,633
Grand Junction	3	20,170	6,723
GREELEY	6	38,902	6,484
Loveland	3	16,220	5,407
TOTAL	102	1,401,759	13,743

Source: Derivative from Tables DX-2 and DX-6.

DX 42

BEFORE THE BANKING BOARD OF THE
STATE OF COLORADO
Denver, Colorado

N THE MATTER OF THE APPLICATION FOR CHARTER OF BOULDER ALLEY BANK, BOULDER, COLORADO	Findings of Fact and Order Denying Application

STATEMENT

Pursuant to the appropriate provisions of Article 9, Chapter 14, Colorado Revised Statutes 1963, as amended, he following persons presented an application for a commercial bank charter: R. Stanley Brenton, William Earl Coburn, James Dean Hudson, Dale Courtney Hudson, Floyd L. Andersen, Hallie Hill Hudson, William Joseph Hudson and Clarence Dale Hurlburt. The incorporators propose to name the bank Boulder Valley Bank and locate t on the south-east corner of 28th Street (Longmont Diagonal) south of Iris Avenue in the City and County of Boulder. The following findings and Order are hereby promulgated by the Banking Board as the result of its consideration of evidence introduced at public hearing.

I. PUBLIC HEARING

On October 30, 31 and November 25, 1969, the Banking Board conducted a public hearing to consider the application. The hearing was conducted pursuant to C.R.S. 1963, 4-9-10 (3) and appropriate provisions of the Colorado Administrative Code.

With the exception of Mr. T. C. Swanson, all members of the Banking Board were present. With the consent of Counsel, Mr. Pierpont Fuller presided as chairman of the hearing. A. Frank Vick, Jr., Assistant Attorney General, appeared as counsel for the Banking Board.

The applicants appeared at the hearing, both in person and through counsel, Mr. Charles E. Williams, Esq. and Mr. David W. Griffith, Esq. of Williams, Taussig and Trine, Mr. Ira C. Rothgerber, Esq. and William P. Johnson, Esq. appeared for the protestant Boulder National Bank. Although notices of the hearing were provided to all other banks located in Boulder, no appearances were noted for these institutions. Throughout the course of the hearing,

both applicants and protestant were provided opportunity to present oral and documentary evidence, to cross examine witnesses and give legal argument. At the conclusion of the hearing, the parties through counsel, were provided opportunity to present oral arguments in summation and to file written briefs.

II. Statutory Factors

C.R.S. 1963, 14-9-10 (1) requires the State Bank Commissioner to investigate each application for charter and determine whether the following requirements have been met:

> (1) That the applicant has proceeded in a lawful manner;
>
> (2) That the name is not deceptively similar to that of another bank or otherwise misleading;
>
> (3) That the persons who will serve as directors or officers, insofar as such persons are known, are qualified by character and experience and that the financial status of the incorporators, directors, and officers is consistent with their responsibilities and duties;
>
> (4) That the capital and surplus are not less than the required minimum and that the requirements for paid-in undivided profits, and in the case of a new bank charter, organizational expense fund and paid-up stock subscriptions by the incorporators, have been met; and
>
> (5) That the proposed articles of incorporation, or amended articles of incorporation, and by-laws are appropriate or may be amended to be appropriate.

In addition to those preliminary determinations made by the Commissioner and enumerated above, C.R.S. 1963, 14-9-10 (3) requires the Banking Board to consider and the applicants to prove the following two factors:

> (1) That the proposed bank will serve a public need and advantage in the communities, community, or area of the community in which the bank will serve, and
>
> (2) That the volume of business in the communities, community, or area of the community in which the proposed bank will serve is such that profitable operation of the bank may be reasonably projected.

The Banking Board, in the exercise of its chartering power, is further required by C.R.S. 1963, 14-2-16 to act in the interests of promoting and maintaining a sound banking system, the security of deposits and depositors and other customers, the preservation of the liquid position of state banks and in the interest of preventing injurious credit expansions and contractions.

III. Determinations by the Commissioner

The Bank Commissioner, as required by statute, reported to the Banking Board and found affirmatively on all of the requirements contained in Section 14-9-10 (1), C.R.S. 1963. Protestant objects to the finding by the Commissioner that the applicants have proceeded in a lawful manner. Their objection involves the interpretation of C.R.S. 1963, 14-9-10 (7), which provides that whenever two applications are filed for approximately the same area within a 90-day period, the Banking Board may, in its discretion, consider them at a combined hearing. Protestant insists that this law requires the Banking Board to delay a public hearing on an application for a period of at least 90 days from the filing thereof so that if another application is filed for essentially the same area, it may determine whether or not the two applications should be consolidated. We do not agree with this interpretation since the statute is a matter of discretion in the first instance. Accordingly, the Board concurs in all of the determinations and findings made by the Commissioner with respect to the requirements set forth in C.R.S. 1963, 14-9-10 (1).

IV. Public Need and Advantage

The applicants proposed to establish Boulder Valley Bank in the City of Boulder at the intersection of 28th Street and what is referred to as the Longmont Diagonal. The proposed site is on the east side of 28th Street although direct access thereto is impossible from either 28th Street or from the Longmont Diagonal. The site is isolated to a large extent in the northwestern corner of a new shopping center which is largely undeveloped except for a Gibson's Discount Store directly to the south and a restaurant some distance away.

The primary service area proposed by applicants includes part of north Boulder and areas outside the city

limits to the northwest, north, northeast and east of the proposed site. The Boulder County Planning Board estimates approximately five planning units substantially comprise this primary service area. We must of necessity consider each planning unit in an effort to determine whether or not the proposed bank would serve a public need and advantage in the community.

The North Boulder Planning Unit is described as an area with many problems relating to a future, orderly development and is an area where serious difficulties presently exist with respect to mixed use, legal and illegal nonconforming uses, adverse lot conditions and an apparent inadequate traffic circulation pattern. Water and sanitation conditions in the North Boulder area were described as another crucial determining factor which will hinder any favorable development. One witness testified that until this problem is resolved, any development at all which might occur will be marginal. The experts stated that numerous scattered junkyards will discourage rapid growth and dense development. Many of the existing homes were noted as substandard.

The Diagonal West area was described as presently containing 88 per cent in agricultural use, five percent in lakes and reservoirs and only one percent devoted to residential development. The present population of this area is only 350 people. Planning experts appear to agree that extensive commercial development along both North 28th Street and the Diagonal will continue to be discouraged.

The Diagonal East area demonstrates a similar situation. Ninety two percent of this area is devoted to agricultural use and only three percent is presently devoted to residential use. The current population of this area is also less than 350 people.

The Gun Barrel Hill area was described by the experts as an area which has only 20 percent development at the present time. Sixty percent of the ground is still in agricultural use with three percent devoted to residential purposes.

The Airport South area is east of the proposed bank. The predominant land use in this area is agricultural with another ten percent thereof devoted to lakes and reservoirs. At the present time, no residential subdivision or other substantial development has been deemed practical or ad-

visable. There appears to be serious problems with respect to traffic circulation therein.

Substantial discrepancies exist in deposit projections presented by the applicants. Deposit projections must, of course, be attached to the trade area which the bank proposes to serve. Based upon the description of the trade area, the Board is unable to conclude that the projections with respect to deposits are reasonable. The methodology by which the applicants approached their projections of deposits was not concrete and must therefore be more clearly defined in order to be reliable.

Accordingly, the Board finds and concludes that the chartering of the proposed bank would not serve a public need and advantage in the community, communities, or area of the community which the applicants propose to serve.

V. Profitable Operation

In Article IV above, we discussed the complexion of the various sections of the proposed trade area. The conclusions which we reached with respect to each of these areas naturally affect our determination of whether or not a profitable operation of the proposed bank may be reasonably projected. Based upon our understanding of the present conditions existing within the proposed trade area, we do not find that the volume of business in the area is sufficient to reasonably project a profitable operation.

Numerous discrepancies among projections of deposits further require us to reject the contention that the bank might operate at a profit. We are aware that the Boulder area presently enjoys keen commercial banking competition from both within the City and from without. Several banks are members of bank holding companies and apparently find their strength with respect to competitive aspects from such associations. Based upon the existence of such competition, something more must appear in the record with respect to concrete prospects of growth in this *northeastern sector* of the community to convince us that an additional commercial bank may reasonably enjoy financial success.

The Board considered at great length, the applicant's projections of income and expense. In our opinion, the lease and occupancy expenses proposed for the bank are unreasonably high and do not truly accord with the bulk of the evidence.

Accordingly, the Board finds and concludes that the applicants have not sustained their burden of proving that the volume of business in the community, communities, or area of the community which the proposed bank would serve is such that profitable operation of the bank can be reasonably projected.

VI. Effects on Banks and Banking, the Security of Deposits, Depositors and Other Customers and Upon Credit.

The Boulder community presently appears to be well served by existing financial institutions. In keeping with the *growth* of this city, it appears that several new commercial banks came into existence in the early 1960's. These institutions have shown growth, both in deposits and in their ability to perform. The applicants here, however, do not propose to serve, to any large extent, the older, more established areas of Boulder. Instead, the impact of this application seems to indicate that the future of Boulder is going to the north and to the east. Until such time as this proposed market is developed in a more concrete fashion and the numerous problems with respect to traffic circulation in the area are solved, we are unable to find that the addition of the proposed bank into the projected trade area will materially benefit the security of deposits, depositors and other customers.

It could be argued that additional banks, conveniently located, will further the interests of the depositing public. A bank situated on every block would, no doubt, be desirable from the standpoint of some depositors and prospective customers. On the other hand, we do not feel that such a chartering procedure would be in keeping with the trust imposed upon this Board by the Colorado General Assembly.

ORDER

On the basis of all the relevant facts contained in the record before the Board, as accumulated through many days of public hearing, and in view of the findings and conclusions set forth above, it is the Board's judgment and order that the application for charter be denied.

Dated at Denver, Colorado this 3rd day of February, 1970.

BY ORDER OF THE STATE BANKING BOARD:

/s/ Harry Bloom
HARRY BLOOM
State Bank Commissioner and
Chairman, State Banking Board

DX 43

BEFORE THE BANKING BOARD OF THE
STATE OF COLORADO
Denver, Colorado

IN THE MATTER OF THE APPLICATION FOR CHARTER OF TABLE MESA STATE BANK, BOULDER, COLORADO	FINDINGS OF FACT AND ORDER DENYING APPLICATION

STATEMENT

Pursuant to the appropriate provisions of Article 9, Chapter 14, Colorado Revised Statutes 1963, as amended, the following persons presented an application for a commercial bank charter: Melvin J. Roberts, Charles A. Baer, Kenneth H. Nordling, Will F. Nicholson, Jr., and Gilbert J. Mueller. The incorporators propose to name the bank Table Mesa State Bank and locate it in the Table Mesa Shopping Center, South Broadway and Table Mesa Drive, Boulder, Colorado. The following findings and order are hereby promulgated by the State Banking Board as the result of its consideration of evidence introduced and received at public hearing.

I

PUBLIC HEARING

On October 29, 1970, the Banking Board conducted a public hearing to consider this application. The hearing was conducted pursuant to Section 14-9-10(3), C.R.S. 1963, as amended, together with other appropriate provisions of the Colorado Administrative Code.

All members of the Banking Board were present. With the consent of counsel, Pierpont Fuller presided as acting chairman of the Board and of the hearing. A. Frank Vick, Jr., Assistant Attorney General appeared as counsel for the Banking Board.

The applicants appeared at the hearing both in person and through counsel, Mr. Joseph G. Hodges, Esq. of Hodges, Harrington, Kerwin and Otten. Mr. Richard L. Eason, Esq. of Simon, Eason, Hoyt and Malone, appeared for the protestant Security Bank of Boulder. Although notices of the hearing were provided to all other banks located within Boulder, no appearances were noted for these institutions. Throughout the course of the hearing, the ap-

plicants and protestant were provided opportunity to present oral and documentary evidence, to cross-examine witnesses and to give legal argument. At the conclusion of the hearing, the parties through counsel presented oral argument in summation and were provided the opportunity to file written briefs. No briefs were filed.

II

Statutory Factors

C.R.S. 1963, 14-9-10 (1) requires the State Bank Commissioner to investigate each application for charter and determine whether the following requirements have been met:

1) That the applicants have proceeded in a lawful manner;

2) That the name is not deceptively similar to that of another bank, or otherwise misleading;

3) That the persons who will serve as directors or officers, insofar as such persons are known, are qualified by character and experience and that the financial status of the incorporators, directors and officers is consistent with their responsibilities and duties;

4) That the capital and surplus of the proposed bank are not less than the required minimum and that the requirements for paid-in undivided profits, organizational expense fund and paid up stock subscriptions by the incorporators have been met; and

5) That the proposed Articles of Incorporation and Bylaws are appropriate or may be amended to be appropriate.

In addition to those preliminary determinations made by the Commissioner and enumerated above, C.R.S. 1963, 14-9-10 (3) requires the Banking Board to consider and the applicants to prove the following factors:

1) That the proposed bank will serve a public need and advantage in the community, communities, or area of the community which the bank will serve, and

2) That the volume of the business in the community, communities, or area of the community in which the proposed bank will serve is such that profitable operation of the bank may be reasonably projected.

The Banking Board, in the exercise of its chartering authority is further required by C.R.S. 1963, 14-2-16 to act in the interests of promoting and maintaining a sound banking system, security of deposits and depositors and other

customers, preservation of the liquid position of state banks and in the interest of preventing injurious credit expansions and contractions.

III

Determinations by the Commissioner

The Bank Commissioner, as required by statute, reported to the Banking Board by way of his letter dated October 23, 1970 and admitted into evidence as Commissioner's Exhibit A subject to the right of protestant to direct argument and objection to the Exhibit and the determinations contained therein. Basically, the report is an affirmative finding on all of the requirements set forth in Section 14-9-10 (1) C.R.S. 1963.

A novel question is presented in this application by virtue of the fact that the sole stockholder in the proposed bank is to be Colorado CNB Bankshares, Inc., a holding company registered by the Board of Governors of the Federal Reserve System pursuant to Bank Holding Company Act of 1956. Protestant argues that the Act under which this holding company is regulated requires advance approval from the Board of Governors of the Federal Reserve System for the acquisition of shares in the proposed bank. Protestant argues that no authority to purchase shares in the proposed bank has been obtained by the holding company from the Board of Governors of the Federal Reserve System and, therefore, the applicants have not proceeded in a lawful manner with respect to this application. Accordingly, protestant argues that the Commissioner erred in his determination that the applicants have proceeded in a lawful manner.

We are reluctant to rule that the jurisdiction of this Board contains the power to enforce compliance with certain provisions of the Bank Holding Company Act of 1956. To the contrary, certain language in that Act expressly provides that regulation is reserved to the Board of Governors of the Federal Reserve System.

The Commissioner has found that "the applicants" have proceeded lawfully and with this we agree. The applicants are individuals who are closely related to the holding company. Their application in this instance appears to be complete. Accordingly, without ruling upon the precise question of whether or not we may enforce compliance with

federal legislation, we affirm the findings and determinations of the Commissioner with respect to the requirements set forth in C.R.S. 1963, 14-9-10 (1).

IV

Public Need and Advantage

The applicants desire to locate the proposed bank in the Table Mesa Shopping Center, a development situated near South Broadway and Table Mesa Drive in Boulder, Colorado. The shopping center is strategically located near many residential areas in south Boulder. From this location, the proposed bank is expected to serve a primary service area extending north to Aurora Street; northeast and east along the Boulder freeway; south to a point beyond Lafayette Drive; and west to the foothills. In the northeast corner of the service area, the applicants have included a residential development bounded on the north by Baseline Road; on the west by Meadowbrook Drive; on the southeast and south by the Boulder Freeway and South Boulder Road; and west to a point beyond existing residential development.

The shopping center has been in existence for some period of time and it appears obvious that the significance of it has increased as residential development has pushed to the south in Boulder. Both applicants and protestant agree that a commercial bank located in the primary service area would serve the public need and advantage. Protestant asserts, however, that the primary service area defined by the applicants extends too far north which, in turn, influences population projections and deposit estimates for the proposed bank.

The applicants retained professional economists to develop the primary service area and economic indicators contained therein. The record reveals that feasibility studies prepared by these economists did not contemplate two commercial banks within the primary service area. Obviously, at the present time there is no commercial bank located within or reasonably near the Table Mesa Shopping Center. However, the applicants were aware that on March 5, 1970, the protestant Security Bank of Boulder received authority from us to change its location from its present quarters at 1135 Broadway in Boulder, Colorado to a site

on South Broadway near the intersection of that thoroughfare and Toedti Street. Pursuant to our order, the Security Bank of Boulder has proceeded to acquire ground, retain architects and do all things necessary to accomplish the move. We are confident that the Security Bank will move from its present location on the University Hill area to the new site by virtue of the vast amount of work which has already been undertaken. Accordingly, we cannot realistically consider this application as one for a bank in an area without competition. The question must be resolved as to whether or not *two* banks are neeeded in South Boulder and, further, will *two* banks serve a public need and advantage therein.

We are of the opinion that the economic and population factors present within the service area do not provide sufficient base upon which two banks may successfully serve the public need and advantage. Commercial activity within the primary service area is limited to approximately 35 businesses and several medical offices. By virtue of competition from existing Boulder banks to the north, these businesses do not appear to be primarily oriented toward the Table Mesa area. Banking relationships have become established by these businesses with existing Boulder banks and, in some instances, downtown Denver institutions. Our conclusion is that no bank in the area will attract a significant number of commercial accounts for a substantial period of time.

Residential development provides us with a stronger feeling about this community. We estimate that the population of the primary service area in 1970 was approximately 19,000, many of whom are employed and occupied outside of Boulder. Boulder has often been referred to as a "bedroom community" whereby many residents enjoy the advantages of living in a non-metropolitan community but, none-theless, commute daily to their occupations in other localities. This would account for the market penetration experienced by non-Boulder banks into this trade area.

It remains for us, therefore, to determine whether or not the proposed service area demonstrates need for *two* commercial banks. As we have stated hereinabove, the applicants attempted to establish the fact that two banks would serve the public need and advantage in the area but such evidence was not convincing. By virtue of the evidence

indicating that the protestant Security Bank of Boulder will open its new location we must consider it an established institution. Therefore, we find and conclude that the chartering of the proposed bank at the present time would not serve a public need and advantage in the community, communities, or area of the community which the applicants propose to serve.

V

Profitable Operation

In section IV above, we discussed the unique situation which confronts us in this application. The conclusions which we reached with respect to public need and advantage are, in large measure, determinative of our opinion on the reasonable projection of a profitable operation for the proposed bank. From the evidence presented, especially from the standpoint of commercial activity, we do not find that the volume of business would be sufficient to reasonably project a profitable operation.

The Table Mesa area is not new although it has grown rapidly in recent years. Some of the major downtown institutions have been in existence for many years and their influence extends throughout all of the trade area, all of Boulder County and beyond. In addition, World Savings and Loan Association established a Table Mesa branch which will provide competition for real estate loans and savings deposits to any commercial bank located within this area. The Boulder Standards Federal Credit Union is located in the primary service area with assets of approximately one and one-half million dollars. All of these facts provide us with great concern for the profitable operation of the proposed bank.

The protestant Security Bank of Boulder has been in existence since 1960. Throughout this period of time its performance has been nonremarkable. The fact remains, however, that it should bring with it a certain degree of patronage in Boulder in contrast with the proposed bank. From the evidence presented in this record, therefore, we are convinced that the proposed bank would not enjoy any reasonable likelihood of economic success for many years. We find, therefore, that the applicants herein have not proved that the volume of business in the community, communities or area of the community which the proposed bank

will serve is such that profitable operation of that bank can be reasonably projected.

VI

Effect on Banks and Banking, the Security of Deposits, Depositors, and Other Customers

Applicants contend that no commercial bank is located within the primary service area at the present time. We agree with this contention but we cannot overlook the basic fact that the protestant bank was authorized to move and will, no doubt, do so. It is for us to determine at this time whether or not the introduction of another institution would benefit the community, the customers of the proposed bank and the banking industry itself. We do not feel that our public responsibility permits us to ignore action heretofore taken by us when the net result might be detrimental both to the public and to the institutions designated by us to serve that public.

We have previously determined that there is a public need for a bank in this particular area and that the Security Bank of Boulder was competent to fulfill this need. We are not convinced, from the evidence presented in this record, that the public need demands two banks. In addition, we cannot overlook the opportunity which the protestant bank now has to reverse recent trends and become a major banking influence in Boulder. Accordingly, we find that approval of this application at the present time will have an adverse effect on banks and banking and the security of deposits, depositors and other customers within the Boulder community.

Order

On the basis of all of the material contained in the record before us as accumulated through competently presented evidence, and in view of the findings and conclusions set forth above, it is the Board's judgment and order that the application be denied.

Dated at Denver, Colorado this 27th day of January, 1971.

By Order of the State Banking Board:

Harry Bloom
Harry Bloom
State Bank Commissioner and
Chairman, State Banking Board

DX 44

DISTRIBUTION OF DEPOSITS AND LOANS OF FIRST NATIONAL BANK OF GREELEY BY LOCATION OF DEPOSITOR OR BORROWER, AUGUST 31, 1970

(Percentages computed from total dollar amounts)

	"Greeley Area" [1]				
	City of Greeley	Outside City	Other Weld County	Total Weld County	Total All Area
Deposits					
Demand deposits (IPS)	72.6	9.2	6.6	88.5	100.0
Time deposits (IPS)	67.7	8.3	13.8	89.8	100.0
Savings deposits	70.2	7.4	12.2	89.8	100.0
Total Loans	56.8	15.8	10.8	83.4	100.0
Farmers [2]	41.3	23.2	20.6	85.1	100.0
Commercial & Industrial [3]	68.5	12.1	1.8	82.4	100.0
Real estate	63.0	12.6	9.9	85.6	100.0
Individuals (installment)	63.5	8.4	6.4	78.3	100.0
Single payment	59.9	14.5	10.2	84.6	100.0

NOTE: Detail may not always add to total due to rounding.

[1] "Greeley Area" as defined by U.S. Department of Justice.

[2] Reported as "Commercial & Industrial" in Government Exhibits.

[3] Reported as "Farmers" in Government Exhibit.

SOURCE: Defendants Answers to Plaintiff's Interrogatories.

DX-45

Distribution of Number of Deposits and Loans of First National Bank of Greeley By Location of Depositor or Borrower, August 31, 1971

(Percentages computed from total number of deposits or loans)

	"Greeley Area" [1]				
	City of Greeley	Outside City	Other Weld County	Total Weld County	Total All Area
Deposits					
Demand deposits (IPS)	73.6	9.2	7.0	89.8	100.0
Time deposits (IPS)	64.8	8.0	14.4	87.3	100.0
Savings deposits	70.6	9.8	10.0	90.4	100.0
Total Loans	61.7	14.8	10.0	86.6	100.0
Farmers [2]	25.6	34.9	28.1	88.6	100.0
Commercial & industrial [3]	70.2	7.9	6.6	84.7	100.0
Real estate	69.1	13.5	9.6	92.1	100.0
Individuals (installment)	75.8	11.1	3.5	90.4	100.0
Single payment	62.5	13.8	8.8	85.0	100.0

NOTE: Detail may not always add to total due to rounding.

[1] "Greeley Area" as defined by U.S. Department of Justice.

[2] Reported as "Commercial & Industrial" in Government Exhibit.

[3] Reported as "Farmers" in Government Exhibit.

SOURCE: Defendants Answer to Plaintiff's Interrogatories 7 & 8.

DX-46

First National Bank of Greeley Loan Breakdown in Weld County, August 1970

Type of Loan	Total # of Accounts	Total $ Loans (000)	Weld County # of Accounts	Weld County %	Weld County $ Loans (000)	Weld County %
Real Estate	176	5,196	162	92.0	4,446	85.6
Farm Loans	324	10,227	287	88.6	8,704	85.1
Commercial & Industrial	242	8,655	205	84.7	7,131	82.4
Auto Loans	1,128	2,033	941	83.4	1,699	83.6
Industrial Loans	1,123	1,854	998	88.9	1,573	84.8
Total Loans	3,017	28,989	2,612	86.6	24,173	83.4

First National Bank of Greeley Loan Breakdown in Greeley, August 1970

Type of Loan	# of Accounts	% of Total Accounts	$ (000) of Loans	% of Total Loans
Real Estate	126	71.6	3,272	63.0
Farm Loans	83	34.3	4,228	41.3
Commercial & Industrial	170	70.2	5,928	68.5
Auto Loans	618	54.7	1,115	54.8
Individual Loans	850	75.7	1,313	70.8
Total Loans	1,866	61.8	16,475	56.8

Source: Answer to Plaintiff's Interrogatory No. 8.

DX 47

TOTAL DEPOSITS OF COMMERCIAL BANKS IN WELD COUNTY, DECEMBER 31, 1970

	Deposits Total (000)	% of Weld County	% of "Greeley Area"	% of City of Greeley
Weld County, total	163,798	100.0		
"Greeley Area", total*	133,951	81.8	100.0	
City of Greeley, total	125,382	76.5	93.6	100.0
First National Bank of Greeley	40,862	24.9	30.5	32.6
Affiliated Bankshares of Colorado, Inc.	61,251	37.4	41.1	43.9
Greeley National Bank	43,735	26.7	32.6	34.9
Cache National Bank	7,738	4.7	5.8	6.2
West Greeley National Bank	3,557	2.2	2.7	2.8
United Bank of Colorado, Inc.				
United Bank of Greeley	27,370	16.7	20.4	21.8
State Bank of Greeley	2,120	1.3	1.6	1.7
Other "Greeley Area"*	8,569	5.2	6.4	
South Platte National Bank, La Salle	3,363	2.1	2.5	
Eaton Bank	5,206	3.2	3.9	
Other Weld County	29,847	18.2		
Farmers National Bank, Ault (ABC)	6,221	3.8		
First National Bank of Windsor	5,709	3.5		
First National Bank, Johnstown	3,984	2.4		
Fort Lupton State Bank	7,978	4.9		
Citizens State Bank, Keenesburg	3,456	2.1		
Erie Bank	1,203	.7		
Hereford State Bank	1,296	.8		

NOTE: Detail may not always add to total due to rounding.

* "Greeley Area" as defined by U. S. Department of Justice.

Sources: Greeley newspaper reports and statements to Colorado Bankers Association.

DX 48

FEDERAL RESERVE

Press Release

For immediate release June 9, 1970

The Board of Governors of the Federal Reserve System has announced its approval, pursuant to the Bank Holding Company Act of 1956, of the application of The First National Bancorporation, Inc., Denver, Colorado, a registered bank holding company, for approval of the acquisition of 80 percent or more of the voting shares of The First National Bank of Greeley, Greeley, Colorado.

Attached are the Board's Order and accompanying Statement, together with a Concurring Statement of Governor Mitchell and a Dissenting Statement of Governors Robertson, Maisel, and Brimmer.

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of

THE FIRST NATIONAL BANCORPORATION, INC. Denver, Colorado,

for approval of acquisition of 80 per cent or more of the voting shares of The First National Bank of Greeley, Greeley, Colorado.

ORDER APPROVING ACQUISITION OF BANK STOCK BY BANK HOLDING COMPANY

There has come before the Board of Governors, pursuant to section 3(a)(3) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(a)(3)), and section 222.3(a) of Federal Reserve Regulation Y (12 CFR 222.3(a)), an application by The First National Bancorporation, Inc., Denver, Colorado, a registered bank holding company, for the Board's prior approval of the acquisition of 80 per cent or more of the voting shares of The First National Bank of Greeley, Greeley, Colorado.

As required by section 3(b) of the Act, the Board notified the Comptroller of the Currency of the application and requested his views and recommendation. The Comptroller recommended approval of the application.

Notice of receipt of the application was published in the Federal Register on November 5, 1969 (34 Federal Register 17930), providing an opportunity for interested persons to submit comments and views with respect to the proposed transaction. A copy of the application was forwarded to the United States Department of Justice for its consideration. Time for filing comments and views has expired and all those received have been considered by the Board.

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that said application be and hereby is approved, provided that the application so approved shall not be consummated (a) before the thirtieth

calendar day following the date of this Order or (b) later than three months after the date of this Order, unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Kansas City pursuant to delegated authority.

By order of the Board of Governors, June 9, 1970. Voting for this action: Chairman Burns and Governors Mitchell, Daane, and Sherrill.

Voting against this action: Governors Robertson, Maisel, and Brimmer.

/s/ Keneth A. Kenyon
KENNETH A. KENYON,
Deputy Secretary

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION BY

THE FIRST NATIONAL BANCORPORATION, INC., DENVER, COLORADO, FOR APPROVAL OF THE ACQUISITION OF VOTING SHARES OF THE FIRST NATIONAL BANK OF GREELEY, GREELEY, COLORADO

STATEMENT

The First National Bancorporation, Inc., Denver, Colorado ("Applicant"), a registered bank holding company, has applied to the Board of Governors, pursuant to section 3(a)(3) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(a)(3)), for prior approval of the acquisition of 80 per cent or more of the voting shares of the First National Bank of Greeley, Greeley, Colorado ("Bank").

Views and recommendation of supervisory authority.—As required by section 3(b) of the Act, the Board notified the Comptroller of the Currency of receipt of the application and requested his views and recommendation thereon. The Comptroller recommended approval of the application.

Statutory considerations.—Section 3(c) of the Act provides that the Board shall not approve an acquisition that would result in a monopoly or would be in furtherance of any combination or conspiracy to monopolize or to attempt to monopolize the business of banking in any part of the United States. Nor may the Board approve a proposed acquisition the effect of which, in any section of the country, may be substantially to lessen competition, or to tend to create a monopoly, or which in any other manner would be in restraint of trade, unless the Board finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the communities to be served. In each case, the Board is required to take into consideration the financial and managerial resources and future prospects of the bank holding company and the banks concerned, and the convenience and needs of the communities to be served.

Competitive effect of proposed transaction.—Applicant,

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gest banking organization in Colorado, has four ry banks with total deposits of $555 million.[1] All of diaries are located in the Denver Metropolitan area, largest subsidiary, First National Bank of Denver, s for all but $22 million of the total deposits held s in Applicant's organization. Acquisition of Bank s $39 million) would represent the first expansion licant since 1968, when it became a bank holding y through the acquisition of First National Bank of and three affiliated banks. Consummation of the proposal would increase Applicant's control of total posits from 14.7 per cent to 15.7 per cent.

is the second largest of six banks in Greeley, and nks in Weld County. The largest bank in the city nty is a subsidiary of Affiliated Bankshares of Colo- c. ("Affiliated Bankshares") and the third largest sidiary of Denver U.S. Bancorporation, Inc. ("Den- .."). Both Affiliated Bankshares and Denver U.S. k holding companies, and rank fourth and second respectively, among banking organizations in Colo- ffiliated Bankshares also owns three other banks in ounty, including two others in Greeley, and is the banking organization in both areas, controlling ent of deposits in Weld County and 41 per cent of held by banks in Greeley and its immediate en- Bank and State Bank of Greeley (deposits $2 mil- e the only independent banks in Greeley. Bank holds ent of deposits in Weld County, and 34 per cent of in Greeley.

nearest office of any of Applicant's present sub- banks is located about 50 miles from Greeley. Bank t attract a significant amount of business from the area. Of Applicant's subsidiary banks, only its subsidiary draws any meaningful amount of busi- m Greeley or Weld County, and such business, which n the main to a few large customers with credit hich could not be met by Greeley banks, does not indicative of substantial competition with Bank. gage company, the business of which was acquired licant's lead bank in 1968, had an office in Greeley

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[1] nking data are as of June 30, 1969, adjusted to reflect holding formations and acquisitions approved by the Board to date.

which is now operated as a loan production office of t bank. However, the activity of the office is limited by l to the solicitation of mortgage loan applications; loa made by the office are serviced by the Denver office of Fir National Bank of Denver. Two similar offices acquired the same time as the Greeley office have been closed, a Applicant is reportedly evaluating the advisability of cl ing the Greeley office. According to data furnished by A plicant, the volume of business generated by this office ha since its acquisition, fallen substantially short of produci fees sufficient to cover direct costs.

In connection with Applicant's proposal, the Board h considered a comment from the Department of Justic which concluded that:

> "[The acquisition] will eliminate substantial potent competition, and further entrench the present high concentrated banking structure in Greeley and We County. Moreover, it may trigger further acquisitio of leading local banks throughout Colorado by t large statewide holding companies, thereby reduci the possibility that additional holding companies w be created to offer competitive alternatives to the lar holding companies. In view of the potential antico petitive effects of this acquisition, we conclude that t granting of this application would have a significant adverse effect on competition."

It appears that the financial and managerial resour of Applicant are sufficient to enable it to enter into mea ingful competition in Greeley through establishment a acquisition of a *de novo* bank, and it may in that sense regarded as a potential competitor. The fact that such p tential exists, however, does not of itself lead to the co clusion that entry through the proposed acquisition wou substantially lessen competition. In the absence of evide indicating a probability (rather than a mere possibility) *de novo* entry or entry through a smaller acquisition, it the Board's judgment that the means chosen by Applica to expand into a new market should be prohibited only wh there are other circumstances which dictate such a p hibition.

In the present case, it is the Board's judgment that co centration in Greeley is not so high that any organizati with ability to enter *de novo* should be required to do

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ner than acquiring an existing competitor. This conclu-
is consistent with the view taken by the Board in 1965,
n it permitted Denver U. S. to acquire a bank in Greeley,
pite the fact that it had an ability to enter the area *de*
o comparable with that of Applicant. (*Application of*
wer U. S. Bancorporation, Inc.*, 1965 Federal Reserve
letin 811). More recently, the Board permitted Affiliated
kshares to acquire four established banks in the Greeley-
ld County area, and did not find concentration a sig-
cant bar to that proposal despite the fact that the four
ks controlled a much larger share of the market than
s Greeley Bank. (1969 Federal Reserve Bulletin 954).
here are other proposals of which the Board has knowl-
e which would alter the Colorado banking structure;
ever, only the present application is properly before
Board at this time. That the Colorado banking struc-
e is being changed by the organization and expansion of
k holding companies cannot be doubted. Similar changes
anking structure are taking place in the New England
tes, New Jersey, New York, Virginia, Florida, Missouri,
elsewhere. But there is no presumption that the *status*
in any State represents a competitive ideal; in each
e, the Board must base its determination on the effect
he particular proposal before it. Congress has not yet
en the Board authority to shape the banking structure
ny State or area by initiating changes, or by committing
lf to a course of action with respect to applications which
sfy some predetermined guidelines or some level of
centration ratios. In this case, the Board is not passing
possible acquisitions in Pueblo, Colorado Springs, or
ver. This case stands on its own merits, and Board
on here is without prejudice one way or another to sub-
uent applications, except as the size and competitive
uence of Applicant may be changed thereby.

he present proposal represents Applicant's first expan-
outside the Denver area. It will not dominate banking
reeley or any other area as a result of the acquisition.
hough one of the competitors in Greeley is also a leading
petitor in Denver, the largest banking organization in
eley, in terms of local operations, is a regional holding
pany with which Applicant does not presently compete
ny area. Consummation of this proposal, therefore,
ld not create a structure in Greeley mirroring that in

Denver or any other market. Sufficient diversity would be maintained to prevent the development of an anticompetitive community of interest, and Bank would be strengthened in its ability to provide meaningful competition. In view of these considerations, the Board concludes that approval of the present application would not substantially lessen competition in Greeley, and would not hinder the Board in dealing appropriately with any anticompetitive acquisitions in other areas of the State.

The Board concludes that consummation of Applicant's proposal would not result in a monopoly or be in furtherance of any combination, conspiracy, or attempt to monopolize the business of banking in any area, and would not substantially lessen competition, tend to create a monopoly, or restrain trade in any section of the country.

Financial and managerial resources and future prospects.—The financial condition of Applicant and its subsidiary banks is generally satisfactory, their management is capable, and prospects of the group appear favorable.

Bank's financial condition is satisfactory, as is its present management. There is a need for development of successor management, however, and Applicant could assist Bank in meeting this need. Bank's prospects, which appear favorable in any event, would be enhanced by affiliation with Applicant.

These considerations are consistent with, and lend some support toward, approval of the application.

Convenience and needs of the communities involved.—Consummation of the present proposal would not significantly affect customers served by Applicant's subsidiaries in the Denver area.

Weld County is one of the 10 leading counties in the country in agricultural production. In addition, industrial activity has begun to take place in the eastern portion of the county, in which area Greeley is located. The increasing credit demands created in the area as a result of these forces have strained the capacity of local banks to meet such needs, and the need for larger credit lines than could be supplied in the past by local banks has forced some borrowers to turn to non-local sources of credit. These facts are illustrated in the present record by Bank's 70 per cent loan-to-deposit ratio, and by the fact that Applicant's largest subsidiary in Denver has been serving some of the large agricultural borrowers in Greeley.

A large portion of the credit resources of Bank are devoted to serving agricultural customers. Applicant proposes, through a new subsidiary which it would establish, to assist in providing credit to agricultural communities served by its subsidiaries. It also proposes to assist Bank in developing its real estate department, and to arrange for placement by Bank of mortgage loans which it originates with institutional investors with whom Applicant's lead bank now has similar arrangements. Through these means, present demands on Bank's resources would be relieved, permitting Bank to supply additional credit to meet other needs of the area. Improvements are also proposed in the trust services offered by Bank.

These considerations support approval of the application.

Summary and conclusion.—On the basis of all relevant facts contained in the record, and in light of the factors set forth in section 3(c) of the Act, it is the Board's judgment that the proposed transaction would be in the public interest and that the application should be approved.

June 9, 1970.

CONCURRING STATEMENT OF GOVERNOR MITCHELL

My purpose in presenting a Concurring Statement is to provide some additional background data on the character of banking markets in Weld County pertinent to the issues of underbanking and concentration. The Table attached compares selected markets for financial institutions in Weld County and two counties adjacent to it, Larimer and Boulder. I have also considered each of the three counties as a market and compared the shares of deposit liabilities and assets held by each of the three major banking organizations in the county with the shares held by all other banks in the county as a group. This comparison has been made for several local bank asset and liability categories.

Is Weld underbanked, as contended by the minority? The Table shows that Weld is more fully banked relative to population than either of the other counties; 5,100 persons per banking office compared to 6,700 and 8,200 for Larimer and Boulder, respectively. There is nothing in these figures to indicate an underbanked situation; in fact, based on going experience under similar conditions of population density and branching limitations, the number of offices in Weld is entirely adequate. In approving the formation of

Affiliated Bankshares in 1969 the Board did not note an underbanked condition in Weld.

Another factor bearing on this issue and the competitive banking situation in Weld is the role of savings and loan associations. These intermediaries are often important competitors to banks in deposit markets. They turn out to be less important competitors, on the Table shown, in Weld than in either Boulder or Larimer. Thus, per capita total bank deposits are higher in Weld ($1,675) than in Larimer $1,490) or Boulder ($1,382) and most of the difference arises from larger savings and time accounts in Weld. If, however, the total of savings and loan share accounts are taken into account, the position of Weld is reversed and it ranks lower than either Larimer or Boulder. Obviously, banks in Weld have been more successful in meeting savings and loan competition than banks in the other counties. This is also evident from the fact that the number of time and savings accounts per capita is significantly higher in Weld (.44 compared to .38 and .36). These facts do not, however, undermine the initial judgment, because the population relationship to the combined number of banking and savings and loan offices also indicates Weld to be more adequately provided with offices than either of the other counties.

The other item of information bearing on adequacy of banking offices is the penetration of demand deposit markets as measured by number of checking accounts per capita. There are fewer in Weld (.39) than in Boulder (.48) or Larimer (.47). These relative numbers appear to reflect differences among the three counties in economic environment and in the promotion by their banks of small checking accounts.

Overall, the data suggest that banking conditions and structures in three counties are roughly comparable and that an additional office of a major bank by de novo entry is not needed in Weld. Similar data for areas of comparable population suggest that a fourth unit or holding company banking office in Greeley would likely dilute the quality of banking services by restircting opportunities for achieving economies of scale because of market fragmentation.

Further analysis shows that the largest banking organization in each county has about 40 per cent of the county market, using the crude measure of total deposits. The largest organizations are Affiliated Bankshares in Weld

(37%) and Boulder (40%) and Western Bancorporation in Larimer (37%). These shares are substantially inflated by disproportionate shares of deposits of local governments in the largest banks in Boulder and Larimer, and to a lesser extent by the relative concentration of larger time and demand deposit accounts in such banks in all three counties.

The total share of the market held by organizations other than the three largest in each county, again crudely, but in this instance more satisfactorily, measured by total deposits, is 21% in Weld, 10 banks; 22% in Larimer, 8 banks; and 32% in Boulder, 7 banks.

Analysis of the shares of various categories of assets and liabilities shows that certain institutions have specialized in particular areas of service; others have tried to maintain a balanced position in all of such areas. Applicant's proposed Greeley affiliate is of the latter type, so far as its liability structure is concerned, although it has had somewhat greater success in attracting savings deposits over $10,000. On the asset side, its real estate loans are minimal and the share of loans to individuals very low. On the other hand, it has much larger shares of State and local securities and commercial and industrial loans.

Market specialization, which at least theoretically could lead to dominant positions, is found in the holdings of State and local government deposits as well as the State and local security issues held by Western Bancorporation in Larimer and by Affiliated Bankshares in Boulder and, to a lesser degree, in Weld. However, there is little evidence that such specialization as exists has led to a dominant position by any bank in any of the private local deposit or asset markets. In fact, the data are pretty much to the contrary in indicating not only an absence of domination in particular markets, but in revealing efforts on the part of each of these banks or groups of banks to be competitive in most markets.

June 9, 1970.

TABLE

FINANCIAL INSTITUTION MARKETS IN WELD, LARIMER & BOULDER COUNTIES

	Weld	Larimer	Boulder
Population (thousands)	81.4	80.3	114.7
Banks (number—excl. industrial)	16	12	14
Population per banking office	5,100	6,700	8,200
Savings & loan offices	3	4	9
Population per banking and savings & loan office	4,300	5,000	5,000
Total bank deposits per capita	$1,675	$1,490	$1,382
Total bank deposits & savings & loan shares per capita	$2,021	$2,235	$2,172
IPC Demand Deposits			
Number of accounts (thousands)	31.3	37.9	55.0
Number of accounts per capita	.39	.47	.48
Demand as a per cent of total deposits	31	33	36
Per cent in accounts over $15,000	40	33	31
Average size of accounts under $1,000	$273	$208	$249
Total amount per capita	$520	$494	$501
Time & Savings Accounts			
Savings—number of accts. (thousands)	29.4	23.0	39.5
Time—number of accts. (thousands)	6.7	5.3	4.1
Savings—number of accts. per capita	.36	.29	.34
Time—number of accts. per capita	.08	.07	.04
Savings & Time—amount per capita	$822	$658	$592
Average size of savings accts. under $1,000	$272	$208	$249
Savings & loan accounts per capita	$346	$745	$790
Bank time & savings and savings & loan shares per capita	$1,168	$1,403	$1,382

Dissenting Statement of Governors Robertson, Maisel and Brimmer.

Applicant, whose lead bank serves large depositors and mortgage borrowers in Greeley, proposes to acquire the largest independent bank in that city. Consummation of the proposal would substantially lessen present and potential competition in the Greeley area. Not only are there no considerations which outweigh these anticompetitive effects, but other facts of record indicate that such effects will be accentuated by the pronounced trend toward concentration now occurring in Colorado, and that Greeley residents may be inconvenienced by the closing of the mortgage loan production office now serving the area. In our judgment, these facts, considered in the light of the statutory criteria, require that the application be denied.

Deposits of Greeley banks increased by more than $40 million, or about 55 per cent, in the five year period between June 1964 and June 1969, and further increases of the same magnitude may reasonably be expected in the future. Loan demand in the area has also been unusually strong. The area, long a leader in agricultural production, is now developing industrially as well. These facts, clearly indicative of banking opportunities, have not escaped Applicant's attention. Its lead bank now serves some of the largest customers in the area, and serves mortgage borrowers through a recently acquired loan production office in Greeley.

It is not unnatural, nor is it to be condemned, that Applicant should desire to participate more fully in the anticipated growth of the Greeley area. But instead of employing its considerable financial and managerial resources to expand its present operations to provide full banking services in Greeley, it proposes to buy out an effective competitor at a large price. Under its proposal, Applicant will exchange shares with a market value of $11.7 million for shares of Bank having a market value of about $5.3 million. Applicant thus will pay approximately 17 cents in premium for each dollar of deposits held by Bank.

If only a fraction of the expenses which Applicant will incur in connection with the proposed acquisition were to be spent in developing a new vehicle to expand its present operations in Greeley, it is clear that substantial new

competition would be created in the area. But an unusually high premium such as that involved here is not incurred in an effort to create or foster competition, but rather to avoid it. As a result of the payment, Applicant will achieve its desired place in the Greeley economy without necessity of competing for it, and the Greeley public will be denied the benefits, in price and service, which additional competition might engender.

Of itself, the effect of the elimination of present and potential competition between Applicant and Bank is sufficiently serious to preclude approval of Applicant's proposal. The setting in which the acquisition will occur—a rapidly accelerating trend toward concentration in markets throughout Colorado—underscores that anti-competitive effect.

There are six significant banking markets in the State of Colorado, centered in the cities of Denver, Colorado Springs, Boulder, Fort Collins, Greeley, and Pueblo. At present, Applicant and Denver U. S. Bancorporation, Inc. control the two largest banks in Denver. Denver U. S. also controls the third largest bank in Boulder, the third largest in Greeley, the second largest in Fort Collins, and the fourth largest in Pueblo. A regional holding company, Affiliated Bankshares of Colorado, Inc. controls the largest banks in Boulder, Greeley, and Colorado Springs, and the third largest in the Fort Collins area. Under proposals announced but not yet considered by the Board, Applicant would acquire the second largest bank in Colorado Springs and the largest bank in Pueblo, and Denver U. S. would acquire the third largest bank in Colorado Springs. Thus, approval of the present application and the other proposals mentioned, in the light of the present structure of the markets involved, would result in Applicant, Denver U. S., and Affiliated Bankshares controlling among them the two largest banks in Denver, the three largest in Colorado Springs and Greeley, two of the three largest in Boulder and in Fort Collins,[1] and two of the four largest in Pueblo. It is apparent that such a banking structure would leave little room for competition by other banking organizations, and it is clear to us that to allow such a structure to develop would be inconsistent with the Congressional mandate to

[1] The largest bank in Fort Collins is a subsidiary of Western Bancorporation, a California-based holding company.

control the expansion of bank holding companies so as to prevent the concentration of banking resources in a few large organizations.

The Board's majority has determined to await another day to interrupt this trend, if, indeed, it is to be interrupted at all. We recognize, as the majority does, that each case must be decided on its own merits. But precisely because we cannot now determine the merits of any proposal which may follow the present one, it is essential that the Board not now approve any acquisition in furtherance of that trend where approval is not clearly required by considerations bearing upon the public convenience and needs. It is possible that future cases may present a strong showing of such needs, so that, having permitted the first links of the chain which leads to oligopoly to be forged upon a minimal showing, the chain might be completed by more difficult cases. The only way to assure maintenance of a competitive structure once an anticompetitive trend is perceived is to require that every proposal which is in furtherance of such a trend be subjected to the closest scrutiny. The present proposal fails to withstand even a cursory inquiry.

In our view, the effect of consummation of Applicant's proposal will be to substantially lessen future competition in Greeley, in Weld County, and perhaps in other Colorado areas which might otherwise have been served by a new organization in which Bank could have significantly participated. Even if the anticompetitive effects of the proposal were to be regarded as less than substantial, we would not agree that its consummation will be in the public interest. The acquisition of a bank which has been actively serving the needs of its community does not forecast improvement in meeting area needs. Moreover, of clearly negative impact on community convenience and needs is the probable closing of a mortgage loan production office [2] which has originated almost $19 million in mortgage loans in Greeley which are now being serviced by Applicant's

[2] The Board's majority Statement suggests that this office might be closed at any rate, because of unprofitableness. The record indicates that Applicant has not yet determined the future of the office, except that it will likely be closed if the proposed acquisition is consummated. Assuming that the office cannot be profitably operated as a limited-service facility, Applicant would appear to have some incentive for expanding its activities under a new charter, if such incentive were not destroyed by approval of the present proposal.

lead Bank, including $1.7 million in new loans made durin
the first 10 months of 1969.

On all the facts of record, we believe the applicatio
should be denied.

June 9, 1970

DX-49

FEDERAL RESERVE

Press Release

For immediate release September 1, 1970

The Board of Governors of the Federal Reserve System has announced its denial, pursuant to the Bank Holding Company Act of 1956, of the application of The First National Bancorporation, Inc., Denver, Colorado, a registered bank holding company, for approval of the acquisition of more than 80 per cent of the voting shares of The First National Bank of Pueblo, Pueblo, California.

Attached are the Board's Order and Statement relating to this action.

Attachments

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of

THE FIRST NATIONAL BANCORPORATION, INC.
Denver, Colorado,

for approval of acquisition of more than
80 percent of the voting shares of
The First National Bank of Pueblo,
Pueblo, Colorado.

ORDER DISAPPROVING ACQUISITION OF BANK STOCK
BY BANK HOLDING COMPANY

There has come before the Board of Governors, pursuant to section 3(a)(3) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(a)(3)) and section 222.3(a) of Federal Reserve Regulation Y (12 CFR 222.3(a)), an application by The First National Bancorporation, Inc., Denver, Colorado, a registered bank holding company, for the Board's prior approval of the acquisition of more than 80 per cent of the voting shares of The First National Bank of Pueblo, Pueblo, Colorado.

As required by section 3(b) of the Act, the Board gave written notice of receipt of the application to the Comptroller of the Currency, and requested his views and recommendation. The Comptroller recommended that the application be approved.

Notice of receipt of the application was published in the Federal Register on February 27, 1970 (35 Federal Register 3846), providing an opportunity for interested persons to submit comments and views with respect to the proposal. A copy of the application was forwarded to the United States Department of Justice for its consideration. Time for filing comments and views has expired and all those received have been considered by the Board.

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that said application be and hereby is denied.

By order of the Board of Governors, September 1, 1970.

Voting for this action: Chairman Burns and Governors Robertson, Mitchell, and Maisel.

Absent and not voting: Governors Daane, Brimmer, and Sherrill.

/s/ Elizabeth L. Carmichael
ELIZABETH L. CARMICHAEL,
Assistant Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION BY
THE FIRST NATIONAL BANCORPORATION, INC., DENVER, COLORADO, FOR APPROVAL OF THE ACQUISITION OF VOTING SHARES OF THE FIRST NATIONAL BANK OF PUEBLO, PUEBLO, COLORADO

STATEMENT

The First National Bancorporation, Inc., Denver, Colorado ("Applicant"), a registered bank holding company, has applied to the Board of Governors, pursuant to section 3(a)(3) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(a)(3)), for prior approval of the acquisition of more than 80 per cent of the voting shares of The First National Bank of Pueblo, Pueblo, Colorado ("Bank").

Views and recommendation of supervisory authority.—As required by section 3(b) of the Act, the Board notified the Comptroller of the Currency of receipt of the application and requested his views and recommendation thereon. The Comptroller recommended approval of the application.

Statutory considerations.—Section 3(c) of the Act provides that the Board shall not approve an acquisition that would result in a monopoly or would be in furtherance of any combination or conspiracy to monopolize or to attempt to monopolize the business of banking in any part of the United States. Nor may the Board approve a proposed acquisition the effect of which, in any section of the country, may be substantially to lessen competition, or to tend to create a monopoly, or which in any other manner would be in restraint of trade, unless the Board finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the communities to be served. In each case, the Board is required to take into consideration the financial and managerial resources and future prospects of the bank holding company and the banks concerned, and the convenience and needs of the communities to be served.

Competitive effect of proposed transaction.—Applicant, which has five subsidiary banks with total deposits of $570 million,[1] is presently the second largest banking organization in Colorado in terms of State deposits; it is only slightly smaller than the State's largest banking organization, another Denver-based holding company. Acquisition of Bank ($54 million deposits) would increase Applicant's share of deposits in the State from 14.5 per cent to 15.9 per cent, and it would become the largest banking organization in the State. The share of State deposits held by the two largest banking organizations would increase from 29.5 per cent to about 31 per cent.

Applicant's present subsidiaries are located between 98 and 160 miles from Pueblo, the situs of Bank's only office. No significant competition presently exists between Bank and those subsidiaries.

There are, nevertheless, significant competitive issues presented by Applicant's proposal. Bank is by far the largest of seven banks in Pueblo County, accounting for 39.5 per cent of county deposits—about one-third more than the area's second largest bank. Bank would be the second bank in the area to be affiliated with a bank holding company; the area's fourth largest bank ($15.4 million deposits) is a subsidiary of Denver U. S. Bancorporation, Inc., the other large Denver-based bank holding company.

In connection with its review of the application, the Board has considered a comment received from the Department of Justice, which concluded that consummation of the proposal "would have a significantly adverse effect on competition." Specifically, the Department took the position that the proposal would serve to entrench the highly concentrated banking structure in Pueblo County and eliminate the potential that Applicant might enter the market either through establishment of a new bank or acquisition of a smaller bank, or that Bank might meaningfully participate in the competitive efforts of another organization which would offer an alternative to Applicant and the other large

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[1] All banking data are as of December 31, 1969, adjusted to reflect holding company formations and acquisitions approved by the Board to date. Included among Applicant's subsidiaries is The First National Bank of Greeley, Greeley, Colorado ($40 million deposits), acquisition of which was approved by the Board on June 9, 1970. Consummation of that acquisition has been delayed by litigation instituted by the United States Department of Justice.

banking organizations in the State of Colorado. The Department also expressed concern that approval of the proposal might trigger other acquisitions which would lead to the domination of most principal markets in the State by a few bank holding companies.

Applicant, in response to the Department's comments, indicated its view that the Pueblo market was not an attractive area for new entry, and stated that acquisition of a smaller bank in the area would not enable it to accomplish the objectives of the instant proposal. It also contended that Bank lacks the management resources to operate, or contribute significantly to the operation of, a bank holding company.

In approving an application by Applicant to acquire The First National Bank of Greeley, Greeley, Colorado (1970 Federal Reserve Bulletin 539), a majority of the Board expressed the view that the proper approach to competitive questions presented by prospective structural changes in Colorado banking is to determine, on a case-by-case basis, the desirability or undesirability of the structural changes which would result from the proposal involved. Based on the particular facts of that case, the Board concluded that competition would not be unduly threatened by consummation of the proposal, but indicated its determination to deal appropriately with anticompetitive proposals in other parts of the State.

Those members of the Board who have considered the present proposal are unanimous in the view that its consummation would preclude possible alternative affiliations or *de novo* entry which would almost certainly result in a more competitive environment in the Pueblo area. Unlike the bank involved in the *Greeley* case, Bank is the dominant institution in its market. It is, moreover, the second largest independent bank in the entire State of Colorado, and the largest outside the Denver area. Despite the fact that the Pueblo area has a relatively high ratio of population to banking offices, the economy of the area has been stagnant, particularly as compared with other areas of the State. The area, therefore, cannot be considered more than moderately attractive for new entry. There are, however, several smaller banks in the area, the acquisition of any of which would be competitively preferable to the present proposal. Also, to the extent that deconcentration through *de novo*

entry may be said to be unlikely, greater significance must be attached to the present proposal's likely effect of increasing the already wide disparity in the competitive positions of Bank and its smaller rivals. Finally, while the ability of Bank to serve as a lead bank in a significant statewide organization may be subject to question, its utility as a vehicle through which a smaller holding company might achieve meaningful entry into the Pueblo area cannot be seriously doubted. And even if it were to be assumed that the only result of denial of the present proposal would be to preserve the existing structure of banking in Pueblo, it is the Board's judgment that the preservation of significant independent competitors in the principal Colorado markets is much to be preferred to the alternative of permitting the development of a situation in which such markets are all dominated by one or another of the largest banking organizations in the State.

A consideration which could be argued to provide some offsetting weight to these anticompetitive effects is that consummation of the proposal would dissolve an affiliation now existing between Bank and Park National Bank ($4 million deposits), a suburban bank which is the sixth largest in the Pueblo area, thereby removing an impediment to competition between the two banks. However, in view of the limited size of Park National Bank, and its lack of a downtown location, it appears to be in a disadvantageous position to exert a significant competitive impact on Bank, especially if the latter were affiliated with Applicant, and the Board therefore accords little weight to the possible procompetitive effects of its disaffiliation from Bank.

Based on the foregoing, the Board concludes that consummation of Applicant's proposal would not result in a monopoly or be in furtherance of any combination, conspiracy, or attempt to monopolize the business of banking in any area. However, the anticompetitive effects of the proposal, both within the Pueblo area and in other Colorado areas which would be deprived of the benefits of possible alternative affiliations by Bank which would be foreclosed by the present proposal, are sufficiently serious as to provide significant weight against approval of the application.

Financial and managerial resources and future prospects.—The financial condition of Applicant and its subsidiary banks is generally satisfactory, their management is capable, and prospects of the group are favorable.

The financial condition and management of Bank are satisfactory, and its prospects, whether operating independently or as a subsidiary of Applicant, are favorable. These considerations, while consistent with approval of the application, provide no significant weight in support of such action.

Convenience and needs of the communities involved.—Consummation of Applicant's proposal would have no significant effect on the convenience and needs of communities served by its present subsidiaries.

Pueblo is a city with a population of 105,000, located at the foot of the Rocky Mountains, 110 miles south of Denver. A large percentage of the city's labor force is unskilled, and is employed by the city's largest corporation. Because of the lack of economic diversification, the city's growth rate has been slow in comparison with other cities on the eastern slope of the Rocky Mountains—about 16 per cent in the past decade. There are some indications of likely future growth, however, the most important of which is the Frying Pan-Arkansas Water Division project, which will supplement irrigation and water supplies, produce hydro-electric power, and provide new recreational facilities.

Bank and other banks in Pueblo provide all the usual services required in a city of its size, including trust services. The principal benefits which Applicant claims would result from the acquisition trace to its proposal to increase the social consciousness of Bank, in order that it will participate more fully in programs to aid the economically disadvantaged in the area. It does not appear that consummation of the proposal would make possible the provision of any significant new services which are beyond Bank's present ability to render, particularly in the light of a close and long-standing correspondent relationship with Applicant's lead bank.

These considerations provide some weight in support of the proposal, but fail to outweigh the serious anticompetitive effects noted earlier.

Summary and conclusion.—On the basis of all relevant facts contained in the record, and in the light of the factors set forth in section 3(c) of the Act, it is the Board's judgment that the proposed transaction would not be in the public interest and that the application should be denied.

September 1, 1970.

DX-50

UNITED STATES DEPARTMENT OF JUSTICE
WASHINGTON, D.C. 20530

September 10, 1970
Received 11, 1970 by Board

Address Reply to the
Division Indicated
and Refer to Initials and Number
WBC:DIB:CLW
60-111-900-46

Honorable Arthur F. Burns
Chairman
Board of Governors of the
Federal Reserve System
Washington, D.C. 20551

Dear Mr. Chairman:

Pending before the Board of Governors of the Federal Reserve System is the application of the First National Bancorporation, Inc. ("Bancorporation"), Denver, Colorado for prior approval to acquire, pursuant to Section 3(a) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(a)), 80 per cent or more of the voting shares of the Exchange National Bank of Colorado Springs ("Exchange"), Colorado Springs, Colorado and Security State Bank of Sterling ("Security"), Sterling, Colorado.

1. *The Applicants*

Bancorporation is a bank holding company organized in 1968; its four subsidiaries are all located in the Denver Standard Metropolitan Statistical Area ("SMSA"). First National Bank of Denver, the lead bank in the group, is the largest bank in the State of Colorado. As of April 30, 1970, it had total deposits of $465.8 million (including IPC demand deposits of $209.6 million) and loans and discounts of $331.3 million. Bancorporation's other affiliates are the First National Bank of Bear Valley, The First National Bank of North Glen and the First National Bank of Southglenn. As of December 31, 1969, these three affiliates had total deposits of $9.7 million, $8.0 million and $4.8 million, respectively. As of June 29, 1968, Bancorporation's constituent banks had approximately 22 per cent of the total

deposits held by the 87 banks in the Denver SMSA, and 14 per cent of the total deposits held by the 252 banks in the entire state.[1]

Exchange is the second largest bank in the City of Colorado Springs, El Paso County, Colorado; and the second largest independent bank in Colorado outside of Denver. As of December 31, 1969, it had total deposits of $50 million (including IPC demand deposits of $25.6 million) and loans and discounts of $32.3 million.

Security is the largest bank in Sterling, Logan County, Colorado. As of April 30, 1970, it had total deposits of $22.1 million (including IPC demand deposits of $8.1 million) and loans and discounts of $15.7 million.

2. *The Area*

The principal service area of Bancorporation's existing affiliates is the Denver SMSA, the largest population and business center in Colorado. Denver is also the financial center in Colorado. The principal business area of Exchange is the Colorado Springs SMSA, which consists of El Paso County. The City of Colorado Springs (population 125,000), the county seat, is located in southeast Colorado about 65 miles south of Denver.

The City of Colorado Springs is a manufacturing and commercial center. El Paso County foresees growth based on tourism, military spending, and industry. Banking in Colorado Springs and El Paso County is dominated by four banking organizations including Exchange which control over 75 per cent of all commercial bank deposits in the county.

The principal business area of Security is Sterling (population 10,403) and Logan County (population 18,390). Sterling is located 128 miles northeast of Denver and 102 miles east of Greeley. Sterling and Logan County are primarily agricultural areas and have experienced some economic growth in the past decade. Security is the largest of four banks serving Logan County and holds over 50 per cent of all commercial bank deposits in the county.

3. *Effect on Direct Competition*

Neither Exchange nor Security competes directly with the

[1] Data derived from FDIC Summary of Accounts and Deposits, June 29, 1968.

present subsidiaries of Bancorporation for retail banking business.

However, since First National Bank of Denver, Bancorporation's principal subsidiary, is one of the most important wholesale banks in Colorado, providing country banks with participation loan funds and various services and receiving correspondent deposits in return, it may well be that this merger will create significant vertical foreclosure at both the wholesale and retail levels. The merger may disadvantage banks that are not part of holding companies, triggering other merger attempts and raising barriers to the entry or development of new competitors.

4. *Effect on Potential Competition*

Commercial banking in El Paso County is highly concentrated. As of June 29, 1968, Exchange, the second largest bank in the county, had 19 per cent of total deposits and 18 per cent of IPC demand deposits. The county's two largest banking organizations held over 52 per cent of total commercial bank deposits and 52 per cent of IPC demand deposits. The four largest banking organizations (which control six of the 19 banks in the county) held over 75 per cent of total deposits and 75 per cent of IPC demand deposits. The acquisition of the second largest bank in this highly concentrated market by Bancorporation may further entrench both its leadership position and the existing oligopoly, thereby deterring new entry and lessening the possibility of future deconcentration.

Commercial banking in Sterling and Logan County is highly concentrated. Security is the largest of the four banks in the county and holds over 50 per cent of all commercial bank deposits in the county. The acquisition of such a bank by Bancorporation may further entrench both its leadership position and the existing oligopoly, thereby lessening the possibility of future deconcentration.

Colorado law prohibits branch banking. However, it allows bank holding companies such as Bancorporation to expand into new markets either by chartering new banks or acquiring existing ones. Bancorporation has evidenced its interest in expanding into economically growing areas in its report to its shareholders. The Colorado Springs SMSA is a growing market which will require additional banks in the foreseeable future. Sterling is an important economic

center with an expanding economy. In view of these facts, it must be concluded that Bancorporation is one of the most important potential competitors in El Paso County either through *de novo* entry or by acquisition of one of the several smaller banks located in the county, and into Logan County through acquisition of one of the smaller banks in the county.

An objective analysis would indicate that not only is Bancorporation a potential competitor, but that of a relatively small number of such competitors, and it is probably one of the two most important; the other is United Banks of Colorado (which itself has an application pending to buy the third largest bank in Colorado Springs).[2] There are presently five other banking organizations in the state which have deposits of over $100 million, one of which already controls the largest banking organization in El Paso County, and another of which is a holding company based in California (Western Bancorporation) which is not eligible to expand in Colorado. The three others are each less than half the size of Bancorporation and most have not expanded beyond their present bases.

Another factor which should be taken into account is that banking in Colorado is presently undergoing a substantial concentration. The Board has recently approved the establishment of a new holding company involving 13 banks in various parts of the State outside of Denver. *In the matter of the application of Affiliated Bankshares of Colorado, Inc.*, 1969 Fed. Res. Bull. 954. The two largest holding companies in the state (United Banks of Colorado and Bancorporation) have sought or announced plans to make various acquisitions throughout the state; these include the four largest independent banks outside of Denver. Thus, there is an apparent trend toward reorienting the leading banks in various local markets in Colorado around a few state-wide holding companies which, in the case of Bancorporation and United Banks of Colorado, Inc., are themselves oriented around the leading banks of Denver.

This acquisition is one of five proposed by Bancorpo-

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[2] See competitive report of the Department of Justice dated February 13, 1970.

ration.[3] One has been rejected by the Board. Taken together, the remaining four acquisitions, if approved and consummated, would increase its share of Colorado bank deposits from 14 per cent to 17 per cent. If all the pending acquisitions announced by the four largest Colorado registered bank holding companies are approved and consummated, the share of Colorado bank deposits held by such companies would increase from about 43 per cent to 49 per cent.

Exchange is now the second largest bank in Colorado outside of Denver not owned by a registered bank holding company. The largest, The First National Bank in Pueblo, is controlled by the same persons who control Exchange; Bancorporation's attempt to acquire it has recently been rejected by the Board. There are relatively few independent banks in Colorado that are of a size that would permit them to play major roles in the formation of new holding companies. cf. *First Empire State Corporation*, 55 Fed. Res. Bull. 738 (1969). Exchange is a bank which could make a substantial contribution to a new holding company, particularly considering its location in a rapidly growing county and its present activity as a small correspondent bank. Security could also make a significant, although less important, addition to a new holding company seeking state-wide coverage.

5. *Conclusion*

These acquisitions involve the acquisition by the second largest holding company in the state of the second largest bank in a large and rapidly growing but local market and the largest bank in another smaller local market. Such a combination can result in substantial vertical foreclosures, and it will eliminate substantial potential competition in El Paso County and further entrench the present highly-concentrated banking structure in both El Paso and Logan Counties. Moreover, it may trigger further acquisitions of leading local banks throughout Colorado by the large state-wide holding companies thereby reducing the possibility

[3] The Board has already approved Bancorporation's acquisition of the First National Bank of Greeley. The Department of Justice has sued to block that acquisition. *United States* v. *First National Bancorporation*, D. Colo. Civil Action No. C-2413.

that additional holding companies will be created to offer competitive alternatives to the dominant, established holding companies. In view of the anticompetitive potential of these acquisitions, especially when taken in conjunction with other pending proposals, we conclude that the granting of these applications would have a significantly adverse effect on competition.

Sincerely yours,

RICHARD W. MCLAREN
Assistant Attorney General
Antitrust Division

Donald I. Baker
By: DONALD I. BAKER
Deputy Director of Policy Planning

DX-51

FEDERAL RESERVE

Press Release

For immediate release November 3, 1970.

The Board of Governors of the Federal Reserve System has announced its approval, pursuant to the Bank Holding Company Act of 1956, of the application of The First National Bancorporation, Inc., Denver, Colorado, a registered bank holding company, for approval of the acquisition of 80 per cent or more of the voting shares of The Security State Bank of Sterling, Sterling, Colorado.

Attached are the Board's Order and accompanying Statement. Governor Robertson dissented from the Board's action, without a separate Statement.

Attachments

UNITED STATES OF AMERICA
BEFORE THE BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C.

In the Matter of the Application of

THE FIRST NATIONAL BANCORPORATION, INC.,
Denver, Colorado,

for approval of acquisition of 80 per cent or more of the voting shares of The Security State Bank of Sterling, Sterling, Colorado.

ORDER APPROVING ACQUISITION OF BANK STOCK
BY BANK HOLDING COMPANY

There has come before the Board of Governors, pursuant to section 3(a)(3) of the Bank Holding Company Act *of* 1956 (12 U.S.C. 1842(a)(3)) and section 222.3a) of Federal Reserve Regulation Y (12 CFR 222.3(a)) an application by The First National Bancorporation, Inc., Denver, Colorado, a registered bank holding company, for the Board's prior approval of the acquisition of 80 percent or more of the voting shares of The Security State Bank of Sterling, Sterling, Colorado.

As required by section 3(b) of the Act, the Board gave written notice of receipt of the application to the Colorado State Banking Commissioner, and requested his views and recommendation. The Commissioner replied on behalf of the State Banking Board that they offered no objection to approval of the application.

Notice of receipt of the application was published in the Federal Register on July 25, 1970 (35 Federal Register 12040), providing an opportunity for interested persons to submit comments and views with respect to the proposal. A copy of the application was forwarded to the United States Department of Justice for its consideration. The time for filing comments and views has expired and all those received have been considered by the Board.

It is hereby ordered, For the reasons set forth in the Board's Statement of this date, that said application be and

ereby is approved, provided that the acquisition so approved shall not be consummated (a) before the thirtieth calendar day following the date of this Order or (b) later than three months after the date of this Order, unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Kansas City pursuant to delegated authority.

By order of the Board of Governors, November 3, 1970.

Voting for this action: Chairman Burns and Governors Mitchell, Maisel, and Sherrill.

Voting against this action: Governor Robertson.

Absent and not voting: Governors Daane and Brimmer.

/s/ Kenneth A. Keyon
KENNETH A. KENYON,
Deputy Secretary.

SEAL)

Board of Governors of the Federal Reserve System

Application by The First National Bancorporation, Inc., Denver, Colorado for Approval of the Acquisition of Voting Shares of the Security State Bank of Sterling, Sterling, Colorado

Statement

The First National Bancorporation, Inc., Denver, Colorado ("Applicant"), a registered bank holding company, has applied to the Board of Governors, pursuant to section 3(a)(3) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(a)(3)), for prior approval of the acquisition of 80 per cent or more of the voting shares of The Security State Bank of Sterling, Sterling, Colorado ("Bank").

Views and recommendation of supervisory authority.—As required by section 3(b) of the Act, the Board gave written notice of receipt of the application to the Colorado State Banking Commissioner and requested his views and recommendation. The Commissioner replied on behalf of the State Banking Board that they offered no objection to approval of the application.

Statutory considerations.—Section 3(c) of the Act provides that the Board shall not approve an acquisition that would result in a monopoly or would be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any part of the United States. Nor may the Board approve a proposed acquisition, the effects of which, in any section of the country, may be substantially to lessen competition, or to tend to create a monopoly, or which in any other manner would be in restraint of trade, unless the Board finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the effect of the transaction in meeting the convenience and needs of the communities to be served. In each case, the Board is required to take into consideration the financial and managerial resources and future prospects of the bank holding company and the banks concerned, and the convenience and needs of the communities to be served.

Competitive effect of the proposed transaction.—Applicant, the second largest bank holding company and the second largest banking organization in Colorado, controls five banks with aggregate deposits of $570 million, representing 14.5 per cent of the commercial bank deposits in the State.[1] On acquisition of Bank ($23 million deposits), Applicant would remain the second largest banking organization and holding company, and its share of deposits would be increased by less than 1 per cent.

Bank is located in Sterling, Logan County (county population 18,390) which is 120 miles northeast of Denver. It is the largest of four banks in the county, holding 53 per cent of the deposits therein. Bank is over 100 miles from any of Applicant's banking subsidiaries. In the light of the distances involved and the State law prohibiting branch banking, consummation of the prposed acquisition would not eliminate substantial present competition nor foreclose significant potential competition between Bank and Applicant's present subsidiaries.

In connection with its review of the application, the Board has considered a view expressed by the Department of Justice that consummation of the proposed acquisition "would have a significantly adverse effect on competition." Specifically, the Department took the position that the proposal would entrench the present concentrated banking structure in Logan County in that it would eliminate the possibility that Applicant might enter the market either through the establishment of a new bank or acquisition of a smaller bank, or that Bank might make a significant addition to a new holding company seeking statewide coverage. The Department also expressed concern that approval of the proposal might trigger further acquisition of leading local banks throughout Colorado by the large State-wide holding companies.

On the facts of the present case, the Board disagrees with that analysis. Despite Bank's relative size, it does not appear to dominate area banking; the second largest bank

[1] All banking data are as of December 31, 1969, and reflect holding company formations and acquisitions approved by the Board to date, including Applicant's acquisition of First National Bank of Greeley ($40 million deposits), which was approved by the Board on June 9, 1970. Consummation of that acquisition has been delayed by litigation instituted by the Department of Justice.

in the County has nearly doubled in size since 1960, and the third largest, which was organized in 1962, now has more than $7 million, or 17 per cent of the County's deposits. Moreover, even if Applicant's entry *de novo*, or by acquisition of a smaller bank might ordinarily be competitively preferable, there are circumstances in the present case which point toward a contrary conclusion. Not only is there no evidence to suggest that Applicant would pursue such a course, but objective data appear to indicate that entry through alternative means is unlikely. The population-to-bank ratio in the County is less than half the State average, and the preliminary 1970 census indicates a decreasing population. With respect to the possibility of entry through a smaller acquisition, there is evidence that there are no other banks available for acquisition which would permit Applicant to achieve a meaningful competitive posture in the area; over and above that, however, the desirability of such alternatives must be considered in the light of the close relationship that has existed between Bank and Applicant's largest subsidiary (First National of Denver) for over 45 years. The Executive Vice President of First National and his close relatives control 90 per cent of the stock of Bank. It does not appear that the ends of competition would be served if Applicant owned one bank in Sterling and its Executive Vice President owner another.

In light of the above circumstances, the Board concludes that the consummation of the proposed transaction would not result in a monopoly, nor be in furtherance of any combination, conspiracy, or attempt to monopolize the business of banking in any part of the United States, and would not restrain trade, substantially lessen competition or tend to create a monopoly in any section of the country.

Financial and managerial resources and future prospects.—The financial condition of Applicant, its subsidiaries, and Bank is presently satisfactory and the prospects of each are favorable. The management of Applicant and its subsidiaries is competent. Depth in management of Bank is somewhat lacking and affiliation with Applicant would tend to assure competent management succession for Bank through Applicant's staffing and training facilities.

Considerations relating to the banking factors lend weight in favor of approval of the application.

Convenience and needs of the communities concerned.—

Logan County's economy is dependent on a four-pronged agriculture base-cattle ranching, cattle feeding, raising irrigated cash crops, and raising wheat. Applicant intends to provide a more formal and permanent allocation of funds necessary to meet and sustain the large credit needs which a progressive agricultural economy demands. Additionally, through the affiliation, Applicant plans to supply Bank's customers with services available only from larger banking organizations. For example, Applicant proposes to augment Bank's trust services through tax consultation and investment advice.

The convenience and needs factors lend additional weight in favor of approval of the application.

Summary and conclusion.—On the basis of all relevant facts contained in the record, and in the light of the factors set forth in section 3(c) of the Act, it is the Board's judgment that the proposed acquisition would be in the public interest and that the application should be approved.

November 3, 1970.

DX-52

FEDERAL RESERVE

Press Release

For immediate release January 4, 1971

The Board of Governors of the Federal Reserve System has announced its denial, pursuant to the Bank Holding Company Act of 1956, of the application of The First National Bancorporation, Inc., Denver, Colorado, a registered bank holding company, for approval of the acquisition of 80 per cent or more of the voting shares of Montbello State Bank, Denver, Colorado.

Attached are the Board's Order and Statement relating to this action. Also attached is the Dissenting Statement of Chairman Burns and Governors Daane and Sherrill.

Attachments

UNITED STATES OF AMERICA
BEFORE THE BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C.

In the Matter of the Application of

THE FIRST NATIONAL BANCORPORATION, INC., Denver, Colorado,

for approval of acquisition of more than 80 per cent of the voting shares of Montbello State Bank, Denver, Colorado.

ORDER DISAPPROVING ACQUISITION OF BANK STOCK BY BANK HOLDING COMPANY

There has come before the Board of Governors, pursuant to section 3(a)(3) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(a)(3)) and section 222.3(a) of Federal Reserve Regulation Y (12 CFR 222.3(a)), an application by The First National Bancorporation, Inc., Denver, Colorado, a registered bank holding company, for the Board's prior approval of the acquisition of more than 80 per cent of the voting shares of Montbello State Bank, Denver, Colorado.

As required by section 3(b) of the Act, the Board gave written notice of receipt of the application to the Colorado State Bank Commissioner and requested his views and recommendation. The Commissioner offered no objection to approval of the application.

Notice of receipt of the application was published in the Federal Register on September 11, 1970 (35 Federal Register 14352), providing an opportunity for interested persons to submit comments and views with respect to the proposal. A copy of the application was forwarded to the United States Department of Justice for its consideration. Time for filing comments and views has expired and all those received have been considered by the Board.

It is hereby ordered, For the reasons set forth in the Board's Statement of this date, that said application be and hereby is denied.

By order of the Board of Governors, January 4, 1971.

Voting for this action: Governors Robertson, Mitchell, Maisel, and Brimmer.

Voting against this section: Chairman Burns and Governors Daane, and Sherrill.

/s/ Kenneth A. Kenyon
KENNETH A. KENYON
Deputy Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION BY
THE FIRST NATIONAL BANCORPORATION, INC., DENVER, COLORADO, FOR APPROVAL OF THE ACQUISITION OF VOTING SHARES OF MONTBELLO STATE BANK, DENVER, COLORADO

STATEMENT

The First National Bancorporation, Inc., Denver, Colorado ("Applicant"), a registered bank holding company, has applied to the Board of Governors, pursuant to section 3(a)(3) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(a)(3)), for prior approval of the acquisition of 80 per cent or more of the voting shares of Montbello State Bank, Denver, Colorado ("Bank").

Views and recommendation of supervisory authority.—As required by section 3(b) of the Act, the Board notified the Colorado State Bank Commissioner of receipt of the application and requested his views and recommendation thereon. The Commissioner, replying on behalf of the Colorado State Banking Board, offered no objection to approval of the application.

Statutory considerations.—Section 3(c) of the Act provides that the Board shall not approve an acquisition that would result in a monopoly or would be in furtherance of any combination or conspiracy to monopolize or to attempt to monopolize the business of banking in any part of the United States. Nor may the Board approve a proposed acquisition the effect of which, in any section of the country, may be substantially to lessen competition, or to tend to create a monopoly, or which in any other manner would be in restraint of trade, unless the Board finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the communities to be served. In each case, the Board is required to take into consideration the financial and managerial resources and future prospects of the bank holding company and the banks concerned, and the convenience and needs of the communities to be served.

Competitive effect of proposed transaction.—Applicant controls six subsidiary banks with total deposits of $593 million and is, by a small margin, the second largest banking organization and bank holding company in Colorado.[1] Upon acquisition of Bank (deposits $1.7 million), Applicant would remain the State's second largest banking organization and its share of State deposits would increase by only .1 per cent.

Bank, which was established in February of 1969, is located on a thruway on the southern fringe of the development of Montbello, a privately planned residential, commercial, and industrial community in Denver. It is envisioned that the Montbello complex will house 40,000 persons and employ 10,000 to 12,000 persons by 1975. Although Bank is a relatively small bank, it has been affiliated since its inception with Aurora National Bank (deposits $13 million), which is located in Aurora, the nearest community to Montbello. Common stockholders own 87 per cent of Aurora National Bank and 91 per cent of Montbello Bank.

Applicant's lead bank, First National Bank of Denver ("First National") (deposits $507 million) and three other subsidiaries are located in the Denver area. The combined deposits of these subsidiaries constitute over 22 per cent of area deposits, the largest share held by any banking organization in the Denver market. The lead bank, situated about 10 miles southwest of Bank, derives business, the bulk of which consists of commercial and real estate loans, directly from Bank's service area. First National has banking relationships with almost half of the firms located in the Montbello industrial park, and also operates a facility at Fitzsimmons General Hospital two miles south of Bank, which, despite restrictions on solicitation of business, has about $3 million in deposits. Consummation of the proposed acquisition would thus eliminate present competition between Bank and Applicant's subsidiaries.

From Applicant's standpoint, the purpose of the present proposal is to obtain a charter to serve the Montbello development. The developers of Montbello, who control all

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[1] All banking data are as of December 31, 1969, and reflect holding company acquisitions approved by the Board to date, including Applicant's acquisition of First National Bank of Greeley ($40 million deposits), which was approved by the Board on June 9, 1970. Consummation of that acquisition has been delayed by litigation instituted by the Department of Justice.

commercial property within the development, refused to lease a site to Bank at the time of its establishment, apparently because of Bank's unwillingness to agree to terms which would provide the developers a management and ownership interest in Bank. Applicant proposes, after acquiring Bank at a high premium, to move it to a site within Montbello. Under the proposal originally filed with the Board, the developers of Montbello would be allotted two seats on Bank's Board, and would have an option to acquire shares of Applicant.

In considering this application, it has been a matter of concern to the Board that, upon its acquisition of Bank, Applicant would have the only banking office in the immediate Montbello area, and, with the close relationship which would be established between Bank and the developers, that situation might be perpetuated. Belatedly, the Board has been advised that the developers would waive their option to acquire shares of Applicant, and would pledge that "should the area develop to the point where a second bank is necessary or appropriate, and subject to the concurrence of the regulatory authorities and the availability of space," additional banking tenants would be admitted to the development. Assuming the good faith of the developers in giving this assurance, the Board is nevertheless of the view that the elimination of a present competitor in the area is not justified by the hope that competition will be provided by another source.

Applicant reportedly has considered establishing a new bank in Montbello, a course which appears most appropriate both to the preservation of present and potential competition and to the service of the banking needs of the Montbello community. The proposed alternative was adopted because it was felt unlikely that chartering authorities would authorize a new bank in the area, in view of the recent establishment of Bank and the adverse effect which a new bank with a locational advantage might have on its operations. It appears, however, that Montbello, like most sections of the Denver area, could support additional banking institutions. That being the case, consideration of the public interest dictates that Applicant's entry into that area be through establishment of a new bank, rather than through acquisition of the only bank now located in the area. Bank, particularly in view of its affiliation with

Aurora National Bank, should be capable of withstanding reasonable competition. The Board cannot lightly assume, especially in view of the large premium contemplated in the present proposals, that both the organizers of Bank and its chartering authority incorrectly assessed the prospects of Bank at the time of its establishment. Neither can we assume that regulatory authorities with chartering responsibility will be less sensitive than the Board itself to the benefits which new entry in this growing area would provide to competition and the public convenience. Finally, nothing in the present record justifies the Board in conferring on the largest banking organization in the Denver area an exclusive license of uncertain duration to serve Montbello.

Consummation of the proposal would eliminate substantial present competition, and foreclosure significant potential competition within the Montbello community.

Financial and managerial resources and future prospects.—The financial condition of Applicant and its subsidiary banks is generally satisfactory, their managements are capable, and prospects of the group are favorable.

The financial condition and management of Bank are satisfactory and its prospects, based upon the projected growth of the Montbello area, and in the light of its affiliation with Aurora National Bank, are favorable.

These considerations provide no weight toward approval of the application.

Convenience and needs of the communities involved.—Consummation of the instant proposal would have no effect on areas presently served by Applicant's subsidiaries, with the exception of the Montbello area.

It is contended that because of the size and location, Bank is unable to provide for many of the needs of the Montbello area, which would be available from an organization of Applicant's size. It appears, however, that Bank, particularly in view of its affiliation with Aurora National Bank, is capable of meeting most needs of smaller and medium-sized customers in Montbello. Although its location is not as convenient as one within the community, it does not appear to represent a serious inconvenience to Montbello residents and businesses. Commercial needs which cannot be met by Bank can be, and are being, met with

reasonable convenience by larger banks in downtown Denver.

The establishment of competitive facilities in the Montbello area by a bank affiliated with an organization such as Applicant would represent a major convenience to residents and businesses in that area. But the present proposal does not envision *competitive* facilities; on the contrary, its consummation might well preclude establishment of consumer alternatives, despite the area's developing needs. Any benefits to the community which might result from the proposal could be attained through means which do not involve the serious anticompetitive effects of this proposal. These considerations, therefore, fail to outweigh the adverse effects of the proposal on competition.

Summary and conclusion.—On the basis of all relevant facts contained in the record, and in the light of the factors set forth in section 3(c) of the Act, it is the Board's judgment that the proposed transaction would have adverse effects on competition which would not be outweighed by any other considerations. Consummation of the proposal, therefore, would not be in the public interest and the application should be denied.

January 4, 1971

DISSENTING STATEMENT OF CHAIRMAN BURNS AND GOVERNORS DAANE AND SHERRILL

In our opinion, Applicant's acquisition of Bank, which has been established for less than two years and which has less than $2 million in deposits, would have no significant adverse effect on competition. The proposal would provide a means for assuring the Montbello community full banking services at a convenient location, which Bank is unable to do at present. For these reasons, and on the basis of the factors set forth in the Bank Holding Company Act, we would approve the application.

Applicant's proposal results from a dilemma jointly faced by Applicant, Bank, and residents and businesses in the Montbello area. Applicant, desirous of meeting the developing needs of the community for convenient banking services, is precluded from establishing a new bank in Montbello because of the adverse effect which such establishment might have on Bank, which, at least partially because of a poor location, has developed slowly. Bank, which was unable to obtain a site within Montbello, is located on the wrong side of a major traffic barrier, is inconvenient to most Montbello residents now, and is expected to become more so as traffic increases with the anticipated growth of the area. Even if it were able at this time to obtain a site within Montbello, the loss which it would incur on its large investment in its present premises would likely preclude its taking advantage of the opportunity. Because of these circumstances, residents and businesses in Montbello are likely to be denied the benefits of convenient full service banking for some time.

Applicant's proposal represents the only immediately feasible solution to this dilemma. Blocked from pursuing the preferable and less expensive course of establishing a new bank in Montbello, Applicant would acquire Bank, and, accepting the necessary losses, would relocate it within Montbello, where it would offer full banking services to the community.

It is unrealistic to suggest that Applicant's proposal would have any significant anti-competitive effect. Bank, at its present location, is not an effective competitor and lacks the potential to become one. Moreover, acquisition

by Applicant would have the pro-competitive effect of eliminating a present obstacle to a new entry in the area.

The majority's real objection to the proposal, it seems to us, is based upon its judgment that, if Applicant establishes a banking facility within Montbello, the developers of the community are unlikely to permit any other bank to obtain a site in the community. We are no more disposed than is the majority to look with favor on this type of entry restriction, but this is a matter extraneous to the present application, and one with which the Board cannot effectively deal in the present determination. The effect of the majority's decision is that, because the developers may permit the community only one convenient banking facility, the Board denies it any.

No alternative available to the Board in the present case would assure Montbello of *competitive* banking facilities. That being the case, our first objective should be to assure that at least one convenient source of full banking services is available. To accomplish that objective, we would approve Applicant's proposal.

January 4, 1971

DX-53

UNITED STATES DEPARTMENT OF JUSTICE
WASHINGTON, D.C. 20530

Address Reply to the
Division Indicated
and Refer to Initials and Number
RWMcL:DIB:CLW
60-111-900-46

March 3, 1971

Honorable Arthur F. Burns
Chairman
Board of Governors of the
Federal Reserve Board
Washington, D.C. 20551

Dear Mr. Chairman:

Pending before the Board of Governors of the Federal Reserve System is the application of the First National Bancorporation, Inc. ("Bancorporation"), Denver, Colorado for prior approval to acquire, pursuant to Section 3(a) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(a)), 80 per cent or more of the voting shares of The National State Bank of Boulder, Boulder, Colorado ("National State").

1. *The Applicants*

Bancorporation is a bank holding company organized in 1968; its four subsidiaries are all located in the Denver Standard Metropolitan Statistical Area ("SMSA"). First National Bank of Denver, the lead bank in the group, is the largest bank in the State of Colorado. As of June 30, 1970, it had total deposits of $468 million and loans and discounts of $341 million. Bancorporation's other affiliates are the First National Bank of Bear Valley, The First National Bank of Northglenn and the First National Bank of Southglenn, all located in the Denver area.[1] As of June 30, 1970, these three affiliates had total deposits of $10.1 million, $8.5 million and $5.8 million, respectively Bancorporation is the second largest banking organization in Colorado. As of June 30, 1970, its constituent banks held approximately

[1] In addition, Bancorporation has received permission from the Federal Reserve Board to acquire banks in Greeley and Sterling. Both of these acquisitions are the subjects of pending law suits filed by the Department of Justice.

22 per cent of the total deposits in the Denver SMSA, and 13 per cent of the total deposits held by the 227 banks in the entire state.

National State is the second largest bank in Boulder. National State had total deposits of $31 million (including IPC demand deposits of $12.9 million) and loans and discounts of $19.4 million, as of June 30, 1970. National State held 22 per cent of Boulder deposits and 16 per cent of Boulder County deposits.

2. *The Area*

Bancorporation's existing bank subsidiaries operate in the city and county of Denver, and the counties of Arapahoe and Adams. All of these areas are in the Denver SMSA. Boulder County is also part of the Denver SMSA. The entire SMSA has experienced rapid and sustained population growth. This growth is likely to continue.

Boulder and Boulder County are located north and west of Denver. Boulder is about 25 miles from Denver and is connected to it by an expressway. Many people commute from Boulder and environs to Denver. Boulder grew from a population of 38,000 in 1960 to 66,000 in 1970. Boulder County as a whole grew from 74,000 to 130,000 in the same time period. Presently among the leading employers in Boulder are IBM, the University of Colorado, and the National Bureau of Standards. While Boulder's growth in the next decade may be less rapid than in the last ten years, it would appear that population growth will continue.

3. *Effect on Actual Competition*

National State is located about 21 miles northwest of the nearest subsidiary bank of Bancorporation and about 25 miles northwest of the lead bank of Bancorporation. Some competition for ordinary banking services seems to exist between National State and the subsidiaries of Bancorporation. National State obtained 172 demand deposit accounts totaling $151,000 and 90 time and savings accounts totaling $141,000 from the city and county of Denver. In addition it held another 29 demand deposit accounts totaling $18,000 and 26 savings accounts totaling $72,000 from other areas of the Denver SMSA served by subsidiaries of Bancorporation. First National Bank of Denver, lead bank of Bancorporation, obtained 463 demand accounts totaling

$643,000 and 307 time and savings accounts totaling $778,000 from Boulder. As the Boulder and Denver areas continue to grow together, it is logical to expect that the level of competition will increase even if neither bank were to establish any subsidiary bank in the intervening area.

Moreover, First National Bank of Denver, through its mortgage department, is servicing over 1,300 mortgage loans in Boulder County. At the same time, National State has a substantial mortgage portfolio mostly involving Boulder County real estate. However, it appears that First National Bank of Denver is originating only a limited number of mortgage loans in this area presently, and National State has similarly limited its activity in this area very much. Hence, the composition eliminated in the field of mortgage lending will not be very substantial.

4. *Effect on Potential Competition*

The City of Boulder and Boulder County generally are attractive areas for bank expansion. Both Boulder and Boulder County have relatively high levels of total and per capita income as well as retail sales and relatively low ratios of banks to population. In the light of all of these factors, it is reasonable to believe that new banks will be added to the Boulder County market.

Bancorporation is the largest banking organization in the Denver SMSA, as well as the largest organization in the state not operating a bank in Boulder or Boulder County. Of the seven banking organizations in the state which control deposits of more than $100 million, two already operate banks in Boulder, one is blocked by law from any expansion, one is a unit bank, and the remaining three, including Bancorporation, operate elsewhere in the Denver SMSA but not in Boulder County. Of these Bancorporation is by far the largest. It has already established three *de novo* banks in other areas of the Denver SMSA, and is seeking to establish a fourth. It must be regarded as one of the most likely entrants into Boulder and Boulder County through establishment of a bank or acquisition of a small existing bank.

Boulder banking is highly concentrated. Two banking organizations, including National State, control over 70 per cent of all bank deposits in Boulder. Those same two organizations control nearly 55 per cent of all deposits in the

county. Four banking organizations control over 78 per cent of all deposits in the county.

This acquisition will eliminate one of the most likely entrants into a concentrated market and result in substantial entrenchment of the existing concentration. It will also eliminate yet another bank able to participate in a new holding company able to compete with the existing market leaders in other areas of the state. It will also continue a trend of foreclosure of correspondent banking deposits to independent banks which provide such services.

5. *Conclusion*

This merger raises some unusual problems. On April 9, 1969, First National Bank of Denver entered a loan agreement with certain promoters (the Parsons Group) to enable the latter to acquire control of National State.[2] Under this new ownership, National State increased substantially its long-term municipal bond portfolio. This has created some liquidity problems. Bancorporation now seeks to take control of this bank permanently. Such a result is unjustified. No showing is made that Bancorporation is the only available buyer for this bank.[3]

We conclude that this acquisition would have a significantly adverse effect on competition.

Sincerely yours,
RICHARD W. MCLAREN
Assistant Attorney General
Antitrust Division
Donald I. Baker
By: DONALD I. BAKER
Deputy Director of Policy Planning

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[2] Under the loan agreement, the promoters were required to use First National Bank of Denver as the correspondent for National State, maintain certain levels of correspondent deposits, channel loan participations to the same bank and deposit a sum equal to 10 per cent of any participation in First National.

[3] National State's present owners paid an average of less than $100 a share for their stock; Bancorporation proposes to pay $123 a share for that stock. This suggests that other buyers might also find National State an attractive investment. In any event, First National Bank of Denver has the power as a creditor under Section 4(c)(2) of the Bank Holding Company Act to take ownership of this stock if no buyer can be found. (12 U.S.C. 1843(c)(2)). It can then use the two year period in which it can hold this stock to improve National State's portfolio of securities and loans and thus make its stock more marketable.

DX-54

FEDERAL RESERVE

Press Release

For immediate release April 1, 1971

The Board of Governors of the Federal Reserve System has announced its approval, pursuant to the Bank Holding Company Act of 1956, of the application of The First National Bancorporation, Inc., Denver, Colorado, a registered bank holding company, for approval of the acquisition of 80 per cent or more of the voting shares of The Exchange National Bank of Colorado Springs, Colorado Springs, Colorado.

Attached are the Board's Order and Statement relating to this action. Also attached is a Concurring Statement of Governor Mitchell, and a Dissenting Statement of Governors Robertson, Maisel, and Brimmer.

Attachments

UNITED STATES OF AMERICA
BEFORE THE BOARD OF GOVERNORS OF
THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C.

In the Matter of the Application of

THE FIRST NATIONAL BANCORPORATION, INC., Denver, Colorado,

for approval of acquisition of 80 per cent or more of the voting shares of The Exchange National Bank of Colorado Springs, Colorado Springs, Colorado.

ORDER APPROVING ACQUISITION OF BANK STOCK
BY BANK HOLDING COMPANY

There has come before the Board of Governors, pursuant to section 3(a)(3) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(a)(3)) and section 222.3(a) of Federal Reserve Regulation Y (12 CFR 222.3(a)), an application by The First National Bancorporation, Inc., Denver, Colorado, a registered bank holding company, for the Board's prior approval of the acquisition of 80 per cent or more of the voting shares of The Exchange National Bank of Colorado Springs, Colorado Springs, Colorado.

As required by section 3(b) of the Act, the Board gave written notice of receipt of the application to the Comptroller of the Currency, and requested his views and recommendation. The Comptroller indicated his view that the proposed acquisition would have no adverse competitive effect.

Notice of receipt of the application was published in the Federal Register on July 25, 1970 (35 Federal Register 12041), providing an opportunity for interested persons to submit comments and views with respect to the proposal. A copy of the application was forwarded to the United States Department of Justice for its consideration. Time for filing comments and views has expired, and all those received have been considered by the Board.

It is hereby ordered, For the reasons set forth in the Board's Statement of this date, that said application be and hereby is approved, provided that the action so ap-

proved shall not be consummated (a) before the thirtieth calendar day following the date of this Order or (b) later than three months after the date of this Order, unless such time shall be extended for good cause by the Board, or by the Federal Reserve Bank of Kansas City pursuant to delegated authority.

By order of the Board of Governors, April 1, 1971.

Voting for this action: Chairman Burns and Governors Mitchell, Daane, and Sherrill.

Voting against this action: Governors Robertson, Maisel, and Brimmer.

/s/ Kenneth A. Kenyon
KENNETH A. KENYON
Deputy Secretary

[SEAL]

BEFORE THE BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

APPLICATION BY
THE FIRST NATIONAL BANCORPORATION, INC., DENVER,
COLORADO, FOR APPROVAL OF THE ACQUISITION OF VOTING
SHARES OF THE EXCHANGE NATIONAL BANK OF
COLORADO SPRINGS, COLORADO SPRINGS, COLORADO

STATEMENT

The First National Bancorporation, Inc., Denver, Colo-
do ("Applicant"), a registered bank holding company,
s applied to the Board of Governors, pursuant to section
a)(3) of the Bank Holding Company Act of 1956 (12
S.C. 1842(a)(3)), for prior approval of the acquisition of
per cent or more of the voting shares of The Exchange
tional Bank of Colorado Springs, Colorado Springs,
lorado ("Bank").

Views and recommendation of supervisory authority.—
required by section 3(b) of the Act, the Board notified
e Comptroller of the Currency of receipt of the applica-
n and requested his views and recommendation thereon.
e Comptroller indicated his view that the proposed
quisition would have no adverse competitive effect.

Statutory considerations.—Section 3(c) of the Act pro-
les that the Board shall not approve an acquisition that
uld result in a monopoly or would be in furtherance of
y combination or conspiracy to monopolize or to attempt
monopolize the business of banking in any part of the
ited States. Nor may the Board approve a proposed
quisition the effect of which, in any section of the country,
y be substantially to lessen competition, or to tend to
ate a monopoly, or which in any other manner would be
restraint of trade, unless the Board finds that the anti-
mpetitive effects of the proposed transaction are clearly
weighed in the public interest by the probable effect
the transaction in meeting the convenience and needs of
communities to be served. In each case, the Board is
uired to take into consideration the financial and
nagerial resources and future prospects of the bank
ding company and the banks concerned, and the con-
ience and needs of the communities to be served.

ompetitive effect of proposed transaction.—Applicant,

the second largest banking organization and bank holding company in Colorado, controls six banks with deposits of $553 million, representing 14 per cent of all commercial bank deposits in Colorado.[1] It became a bank holding company in 1968 through the acquisition of First National Bank of Denver ("Denver Bank"), and three other banks in the Denver area. On acquisition of Bank (deposits of $52 million) Applicant would increase its control of State deposits by slightly more than 1 per cent and would become, by a slight margin, Colorado's largest banking organization and bank holding company.

Bank is the second largest of 12 banks located in the City of Colorado Springs, El Paso County, Colorado. The county is served by 18 banks representing 15 banking organizations:

COLORADO SPRINGS BANKING MARKET

Banking Organizations	Total Deposits June 30, 1970		Percentage of Market Share	
Affiliated Bankshares of Colorado, Inc.				
(holding company approved 1969)		98.2		34
First National Bank of Colorado Springs	90.5		31	
Fort Carson National Bank	4.4		2	
Bank of Manitou	3.3		1	
Farrar Group		66.9		23
The Exchange N.B. of Colorado Springs[1]	52.3		18	
Colorado Commercial Bank	14.6		5	
Colorado Springs National Bank and Affiliate		45.8		16
Colorado Springs National Bank[2]	38.4		13	
The East Colorado Springs National Bank	7.4		2	
Central Colorado Bancorp, Inc.				
(holding company approved 1970)		31.2		11
The Central Colorado Bank	25.1		9	
The Academy Boulevard Bank	6.1		2	
American Heritage Bank and Trust Company		12.7		4
The Pikes Peak N.B. of Colorado Springs		7.5		3
Air Academy National Bank		7.0		2
All others (6)		23.5		8
		292.8		101[3]

[1] Subject of present application.

[2] While acquisition by United Banks of Colorado, Inc. has been approved, consummation has been delayed by litigation instituted by the United States Department of Justice.

[3] Percentages do not add to 100 due to rounding.

[1] All banking data are as of June 30, 1970, adjusted to reflect holding company formations and acquisitions approved by the Board through January 31,

Thus, although Bank is the county's second largest bank with 18 per cent of deposits, it is slightly more than one-half as large as the county's largest banking organization which controls approximately 34 per cent of county deposits. It should be noted that the 12 smallest banks are retail institutions which have successfully served local markets in competition with the larger banks in the county. The last two banks to be chartered—in 1969 and 1966—have deposits of $2 million and $6 million, respectively. It appears that consummation of the acquisition would not unduly affect competition by these smaller banking institutions.

The closest banking subsidiary of Applicant to Bank is First National Bank of South Glenn (deposits $6 million) which is located 57 miles north of Colorado Springs and does not compete to any significant extent with Bank. Applicant's largest subsidiary, First National Bank of Denver (deposits $468 million), which is located 71 miles north of Colorado Springs, does compete with Bank to a limited extent, primarily through a mortgage loan production office located in Colorado Springs. However that bank made only 2 per cent of the mortgage loans in Colorado Springs in 1969. It appears from the facts of record that consummation of the transaction would not eliminate substantial existing competition between any of Applicant's subsidiaries and Bank.

Approval of the application would have several procompetitive effects insofar as banking in El Paso County is concerned. Bank is affiliated through common individual ownership with the fifth largest bank in the county ($15 million deposits). An effect of approval of the pending application would be to end that affiliation and create an additional competitor in the market. Another affiliate in the same chain banking organization is The First National Bank of Pueblo ($54 million deposits), the largest bank in Pueblo, Colorado.[2] The chain of which Bank is now a part

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1971. Included among Applicant's subsidiaries are The First National Bank of Greeley, Greeley, Colorado ($39 million deposits) and The Security State Bank of Sterling, Sterling, Colorado ($21 million deposits), which were approved by the Board on June 9, 1970, and December 21, 1970, respectively. Consummation of these acquisitions has been delayed by litigation instituted by the United States Department of Justice.

[2] A proposal by Applicant to acquire that bank was denied by the Board on September 1, 1970 (1970 Federal Reserve Bulletin 731).

would thus continue to have representation in two major Colorado markets, and would continue to be a significant competitive factor in both.

In approving the present application, the Board has approved the entry of four holding companies into the Colorado Springs market. Two of these approvals severed pre-existing "chain" relationships and in effect added two new competitors to the Colorado Springs area. While the entry of additional holding companies into the area is a matter of conjecture, there remain several unaffiliated banks which, in appropriate circumstances, could be acquired by existing or newly formed holding companies.

The introduction of Applicant as a competitive force in Colorado Springs and El Paso County should have the effect of reducing the market dominance of the area's largest banking organization. While the desirability of strengthening competition between the largest and second largest organizations in a market is not such as would ordinarily justify an acquisition which eliminates direct and significant competition, it is, we believe, a consideration which should be given appropriate weight in determining the public interest where, as here, the only possible adverse effects of the proposal are of a more speculative nature.

The Board has considered a comment by the Department of Justice, which concludes that the proposed acquisition would have a significantly adverse effect on competition on the grounds, among others, that consummation of the acquisition might eliminate a source of correspondent services for unaffiliated Colorado Springs banks, would entrench the highly concentrated banking structure in El Paso County, would eliminate potential competition, and might trigger acquisitions of leading local banks throughout Colorado by the large State-wide holding companies.

As regards the possible loss of correspondent services, the argument appears to be premised on the theory that the affiliation of a Denver bank with a Colorado Springs bank will reduce the number of correspondents for the other banks in Colorado Springs, in part because these banks would be unwilling to entrust confidential or business data to an affiliate of a competitor. However, correspondent services vary in character and importance, and the majority could be equally well performed by banks outside the areas in which the Justice Department alleges anticompetitive

effects. Banks in Colorado Springs and in the State have more "upstream correspondents" outside than within the State. Portfolio and management advice, loan participations, and miscellaneous specialized services could be furnished by these out-of-State correspondents. Check processing may be done by banks with computer facilities, at service bureaus or at the Federal Reserve in Denver; no confidential information is involved which might preclude a bank from seeking the services of an affiliate of a competitor.

Moreover, the argument relies, in part, at least, on the premise that Applicant's Denver subsidiary, a leading correspondent bank in the State, would be less desirable or less available as a correspondent for banks in the Colorado Springs area if it had an affiliate in that area. A difficulty with the argument is that it would appear applicable, if valid in any case, to any proposal through which the Denver bank would obtain a Colorado Springs affiliate, without particular regard to the size or market position of such affiliate. More broadly applied, it argues against permitting a large correspondent bank to become a subsidiary of a holding company, or in any other way expand into markets in which are located banks for which it serves, or could serve, as correspondent. The Board is not aware of any evidentiary basis for the premise on which the argument is based, and, in the absence of a demonstration that such expansion in fact, rather than in theory, leads to a curtailment in the availability of essential correspondent services, is unwilling to adopt that conclusion as a principal basis for curtailing expansion which is likely to result in better service to the communities affected.

With regard to the alleged entrenchment effect, eight banks have been chartered in the Colorado Springs area in the past 15 years and remain viable. The number of competing banks in the area does not now appear so small as to justify, much less require, denial of Applicant's proposal in order to preserve a mere possibility (as distinguished from a probability) of additional entry. Applicant has indicated that its expansion plans into Colorado Springs are premised on the acquisition of a "wholesale" bank that is capable of offering sophisticated banking services and of supplying the capital requirements for the expanding industrial needs of the city. These services cannot eco-

nomically be offered through acquisition of a small bank or through *de novo* entry, unless the market involved affords unusual prospects for rapid expansion of such a subsidiary. Analysis indicates that prospects of the Colorado Springs market are not as attractive, in this sense at least, as might at first appear, as is more fully detailed in the Concurring Statement of Governor Mitchell. For example, probably because a substantial percentage of area personnel are transient military personnel with other banking connections, the average account size and the per capita account size of Colorado Springs banks are relatively small, despite the area's growing population. Accordingly, although it is nearly always possible that foreclosure of a given route of expansion will encourage a resourceful organization to seek an alternative, the Board does not in this case find the present competitive circumstances to be so exigent, or possible alternatives so clearly preferable or so likely to result, as to warrant denial of a proposal which would provide immediate benefits of competition, service, and economies of scale.

Insofar as any "triggering effect" which approval of the application may have, each subsequent application also must receive the approval of the Board. Presumably, one of the reasons for the requirement of administrative approval of individual cases, rather than the establishment of firm legislative guidelines, is to permit the recognition of distinctions which may exist among cases which would otherwise be grouped in proscribed or permitted categories. Much application should be analyzed on the basis of the competitive structure of the market and other facts existing at the time of Board consideration of the matter. On that basis, and afer careful consideration of this entire record, the Board concludes that Applicant's acquisition of Bank would not result in a monopoly or be in furtherance of any combination, conspiracy, or attempt to monopolize the business of banking in any area, and would not substantially lessen competition, tend to create a monopoly, or restrain trade in any section of the country.

Financial and managerial resources and future prospects.—The financial condition of Applicant and its subsidiary banks is generally satisfactory, their management is qualified, and prospects of the group appear favorable.

Bank is in satisfactory financial condition, but because of

the recent retirement of its chief executive officer is undergoing a transitional period as regards its management, and at the present time needs additional assistance in the trust department and data processing department. Applicant's ability to provide assistance in these areas and to furnish management depth would further enhance Bank's prospects.

These factors lend some weight for approval of the application.

Convenience and needs of the communities involved.—Consummation of the Applicant's proposal would have no significant effect on the convenience and needs of the communities served by its present subsidiary banks.

Colorado Springs, situated 71 miles south of Denver, has a population of 135,060 and is the second largest city and metropolitan area in Colorado; the population of El Paso County is almost twice that of the city. The economy of the area is dependent on military installations, tourism and light manufacturing. Banking needs of the area appear to be adequately and conveniently served at the present time by the banks located there; however, affiliation of Bank with Applicant could offer customers an alternative for sophisticated services which the area's growth is likely to demand. Applicant indicates that some specialized loan services would be introduced at Bank and that internal improvements in trust services and data processing would be effected.

These considerations all lend weight for approval of the application.

Summary and conclusion.—On the basis of all relevant facts contained in the record, and in the light of the factors set forth in section 3(c) of the Act, it is the Board's judgment that the proposed transaction would be in the public interest, and that the application should be approved.

April 1, 1971.

Concurring Statement of Governor Mitchell

I concur in the majority view that the application should be approved. I believe such action is consistent with the approvals given by the Board in two recent cases, one involving Affiliated Bankshares of Colorado [1] and the other United Banks of Colorado.[2] I am, however, troubled by the fact that the record in this and other recent cases involving the restructuring of the Colorado banking system gives rise to so much difference of judgment and opinion on the questions of competition, concentration and the convenience and needs of the public.

Competition, Concentration and Service to the Public

In assessing the impact on the public interest of bank mergers, holding company acquisitions or *de novo* entry, there does not seem to be much disagreement on basic goals. The public will benefit from more competition, less concentration, greater convenience in the location of banking facilities, and the provision of more diversified services. Unfortunately, these objectives often seem not to be entirely compatible because more and better services can only be realized through economies of scale and in banking this requires larger banking organizations and may involve questions of concentration and anti-competitiveness.

Public policy has been and continues highly ambivalent on the role of competition and concentration in banking. Widespread banking failures in the early Thirties increased reliance on governmental policies designed to partially insulate banks and other depository institutions from the pressures of competition. Banks were prohibited, pricewise, from competing with each other in supplying demand deposit services. In many States, banks were prevented from branching into the "home office" territory of another bank. In other States, competition via branching of all kinds was prohibited. State and Federal chartering authorities often severely restricted entry in order to prevent "over banking" and on the grounds there was no need for additional offices.

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[1] 1969 *Federal Reserve Bulletin*, 552.

[2] 1970 *Federal Reserve Bulletin*, 845.

Today, a more competitive environment in banking is possible because deposit insurance has all but removed failure as a cause of depositor loss and stronger banking managements and better supervisory techniques have been developed. But many constraints on competition still apply. Federal law limits competition for funds seeking a higher interest return. At times, Regulation Q has all but prohibited competition among financial institutions for loanable resources; banks have been severely limited in their competitive access to financial and capital markets.

Under the circumstances, the statutory injunction in the merger law to avoid anti-competitive mergers or acquisitions is often difficult to implement. Statutes aimed at "protecting" depository institutions may do so by prohibiting effective competition. At the present time, competition on the deposit side is largely limited to service and convenience features. The evidence of such competition is often far from readily apparent as it adheres to continuing personal and intangible relationships between bankers and their customers. On the other hand, it is quite obvious that banks generally operate in competitive markets in their investment and lending operations. Portfolios of Governments, State and local securities, mortgages, and loans to consumers, brokers and dealers, business and agriculture are acquired in competition with nonlocal banks, other local intermediaries, nonfinancial corporations and Government or Government-sponsored agencies.

In recent years competition in banking at the local level has been becoming more of a reality as sheltering policies and neighborhood or local monopolies are being broken down by greater mobility of customers and their greater awareness of competitive terms. Radio and TV advertising, banking by mail or near work has broadened the banking alternatives for most households and businesses in urban areas. But banking competition can only exist in a meaningful sense if at least some banking units have the capacity to broaden their services and make them more conveniently available. Their capability to do so is a matter of realizing economies of scale.

Economies of Scale in Banking. Banking has long enjoyed significant economies of scale but in the past decade, in particular, such economies have become increasingly important as specialization and professionalization in banking

has increased and as electronic accounting, analysis, and data processing have altered the profile of customer services and the cost dimensions of doing business.

The changing banking structure of Colorado and Colorado Springs is illustrative of the difficulties of transition in a State which has traditionally limited economies of scale and is in the process of moving toward a structure in which some of the advantages of scale may be realized.

Branching constraints have impaired Colorado banking's ability to service its customers more adequately. Comparative statistics and the studies of Professor Benston (see Appendix A) indicate that there are significant economies of scale in banking and that they tend to be "spent" in providing additional convenience in offices and facilities when they are realized. This conclusion conforms to expectations and "explains" the comparative structure data. Thus, per capita demand deposits in accounts under $100,000 tend to be relatively uniform among major banking markets regardless of the number of banking offices. Additional banking offices add to the convenience of depositors but do not add to the aggregate of such deposits in the area though they may strengthen a given bank's competitive position. For example, the State of Washington's SMSA's have almost the identical population of Colorado's (1,810,000 compared to 1,764,000), the demand deposits under $100,000 in the areas are very nearly the same, too, $766 million and $763 million, but there are almost 2½ times as many banking offices in these areas in Washington as in Colorado.

Since Colorado needs more banking facilities and can only achieve this objective by changes in its banking structure which will permit economies of scale to be realized it follows that in the absence of branching authorization, holding company development should be encouraged.

Moreover, holding companies ought to be required to extend their operations with *de novo* offices whenever feasible. This general rule would be modified only if the banking market to be entered already had a normal complement of offices or because the economy of the area does not appear capable of profitably supporting an average standard of banking convenience.

Entry Into New Markets. From a practical standpoint, the crux of the matter is a judgment on the attitude of banking entrepreneurship toward entry into a given market.

When a bank seeks regulatory approval for entry how does it draw the line between *de novo* entry and purchase of a market share or between purchase of a major or minor market share? *De novo* entry has the disadvantage of start-up costs and getting customers away from someone else. It seems to work best in rapidly growing areas where established institutions in the older sections have locational disadvantages which a new institution can avoid. Despite this important advantage it seems clear from the record of cases before the regulatory agencies that the purchase of as large a market share as is available is ordinarily the preferred method of entry. In some instances, moreover, it is the only method of entry that will be considered by a knowledgeable banking entrepreneur. And, so far as the public interest is concerned, there is ordinarily a positive advantage when the acquiring bank replaces an incompetent, stodgy or deteriorating management.

Given a general entrepreneurial preference for entry via acquisition, there is nothing inherently hostile to the public interest in regulatory authorities recognizing the legitimacy of corporate interests. An acquisition is not suspect because it promises a profit for the stockholders of the acquired bank or the acquiring bank, or both. It becomes suspect if there is some evidence that the newcomer will be less competitive, is predatory in its policies, or by the record of its acquisitions can be shown to be moving toward domination of some banking market.

Even if none of these conditions exist, the public interest may still be better served by *de novo* entry, especially if the absorption of a competent and aggressive competitor should be involved. But if banking markets are too fractionated by new entries economies of scale will be minimal and so will banking service standards. Moreover, a regulatory decision turning on the method of entry, granting entry is desirable, may be highly conjectural as to how entrepreneurmanship will react to being limited to this alternative. If its reaction is negative, regulatory policy is used, in effect to preserve the status quo. What is needed is an insight into the basis on which banks make entry decisions. What do they regard as a realistic balancing of the services that can be provided in a new market and the cost incurred in doing so?

Since banks have to be motivated by profitable prospects,

the levels of convenience and banking service they offer to the public depends crucially on deposit levels which they believe can be achieved. These, in turn, depend upon the community's deposit potential, the extent to which market shares are likely to be protected or fractionated by public policy, and the economies of scale attainable under State laws. Broadly speaking, the approximate level of locally oriented bank deposits is substantially determined by the economic characteristics of the community and the competition from nonbank intermediaries, market instruments, and nonlocal banks. The market shares that individual competitors can attract is a function of their competitive abilities and the cost involved in implementing them. Many banking markets are so small or so fractionated that knowledgeable competitors would not attempt to enter them. Such markets can only attract marginal operators offering services of the lowest order.

When banking entrepreneurs are given relative freedom to establish offices, they ordinarily tend to provide far more facilities than are available in Colorado today. Greater convenience to the public is possible with branching or holding company systems than with unit systems. Branching systems can service markets much more intensively than unit banks and generally considerably more intensively than holding companies. They can do so because a certain scale of operation is essential to cover the management overhead of a banking organization and because more specialization is possible. Looked at from the standpoint of entry alternatives, an area in which a competitive banking office can generate $2-3 million in demand and time accounts may support a profitable branch operation but be unprofitable for a holding company affiliate. A larger potential might support a holding company affiliate but be insufficient to cover the costs of an independent bank. Scale also has a good deal to do with the quality and feasibility of several banking functions, such as portfolio management, the extension of consumer and other specialized credits and the functional applications of data processing equipment.

In certain holding company systems important operating economies of scale are being realized; in others, there is little to distinguish operations from those of a unit bank. If operating economies are not exploited and passed on to the public in the form of better and more convenient bank-

ing facilities one of the major community advantages inherent in holding company banking organizations is lost.

Whether the relatively new holding companies in Colorado have achieved significant economies of scale is another fact on which the record is unsatisfactory. The probability is that progress is being made in that direction but, of necessity, rather slowly. The point is a critical one in appraising the likelihood of *de novo* entry. Acquisition may be the only feasible route unless the potential market is expanding so rapidly that scale economies characteristics of larger independent units will make for profitable operations.

The Quality of Banking Services

A thorough appraisal of the quality of banking services in Colorado is not included in the record even though in this decision, as well as others before it, structural implications have been deliberately regarded as of primary importance. Those portions of Colorado where the banking structure is changing are growing much faster than the country as a whole (34 per cent compared to 12 per cent in the past decade). They are absorbing far more in capital and credit than can be locally generated, hence they need to attract funds from other sections of the nation and maximize their utilization of available local resources. It is not clear how this is being done. Nor is it clear whether the Colorado banking system is functioning adequately by contemporary or historical standards. Banking does not, of course, serve all of the financial needs of this or any other section of the country. Insurance companies, savings and loan associations, credit unions, capital markets, investment trusts, Government and quasi-Government agencies, as well as individual investors provide credit and capital, too. But knowledgeable and capable bankers are a key element in any community experiencing rapid economic growth. The essential need for Colorado at this stage of its development is access to their financial resources and expertise.

Some indication of the quality of service and the market penetration of local banking organizations can be inferred from comparative performance of banking in Colorado, in the United States and in roughly comparable markets where competitive forces have been permitted to accommodate banking needs more fully. Accordingly, I have assembled in the attached Appendix A relevant evidence available to

me which I believe sufficiently documents the applicability of the foregoing generalizations to Colorado banking.

The relationships and inferences outlined in that Appendix point to the conclusion that, to better serve public needs and convenience, Colorado should have more banking offices —or at least as many more offices as are economically consistent with the limitations on branching in the Colorado law.

Simply in terms of facilities, the Colorado region as a whole, with one banking office for 14,600 persons is, as indicated in the attachments, seriously deficient in providing convenient banking accommodations. But the ratio of persons to offices varies widely in sub-markets within the region. In Weld County (Greeley), for example, it is 5,900—only slightly in excess of the national average. In Morgan County, where the Board recently approved an acquisition, the figure is 4,600. In the Denver and Pueblo SMSA's the population per office is much higher—17,700 and 16,700, respectively, Colorado Springs, with 12,700 persons per office, would clearly benefit from additional banking offices. Such an improvement in public convenience would no doubt have long since been achieved had Colorado permitted branch banking. Its consummation is problematical, if not academic, under unit banking and at least doubtful in the near future with holding company affiliations.

Whether or not there are unmet banking needs in Colorado Springs or any other community depends upon the service standards applied. A currency exchange or supermarket can cash checks conveniently. A limited service office of a bank can accept deposits. But there is more to modern banking than accepting deposits and cashing checks. A present-day bank should be able to offer competitively priced services in a broad variety of financial markets. To do so it must have prospects for growth and earnings to attract men with ability and investors with money. Meeting the convenience and needs of the community, therefore, involves far more than an enumeration of available service items and features. Basically what matters in a bank is the financial capacity and banking know-how to deal with the entire spectrum of a community's financial problems.

Colorado Springs Banking Market

Banking opportunities in the Colorado Springs SMSA are generally thought to be promising, but the economic

deposit data are not equally reassuring, particularly
mparison with other areas in Colorado. As presented
ne attached Appendix B, such data make it seem doubt-
that *de novo* entry into the Colorado Springs SMSA
more than a marginal appeal. The cost of branch entry
ht be entirely feasible, but—given the scale economies
eveable in Colorado holding company practices at this
—affiliated *de novo* entry is, on the record of present
ormance, not obviously attractive.

oncentration Ratios. One popular approach to evalu-
g competitive situations is the use of concentration
os—the share of the particular market enjoyed by each
king organization. Shares are usually measured in
ns of total deposits or assets. Markets are usually towns,
es, counties, SMSA's or states. The definition of the
ropriate market area often involves considerable judg-
t and approximation but if the intent is to seek that
ket in which the greater part of the deposit competition
ocal, then the measure of total deposits or total assets
ften inappropriate.

ocal market shares can be much more reliably measured
sing either demand or time and saving deposits of in-
duals, partnerships and corporations whose account
nces are less than some amount which is large enough
xclude account holders who are susceptible to nonlocal
k competition. The amount cutoff needed to segregate
l customers will not likely be less than $10,000 nor more
n $100,000, depending upon the character of the com-
nity and the proximity of nonlocal banks.

sing pertinent concentration ratios of this type, I do not
eve it can be established that, from the standpoint of
lic policy, the banking structure of Colorado Springs
nduly concentrated or so anti-competitive as to require
ress. I base that judgment on the clear evidence of the
ree of nonbank and nonlocal bank competition existing
he many banking markets and on the fact that Congress
not directed a broad revision or dismantling of the
sting banking structure. It is illuminating to factually
pare the concentration ratios in SMSA's comparable
ize to Colorado Springs, assuming this application had
n approved.

The data conveniently available to me are concentration
ios based on June 1968 demand deposits IPC in accounts
nder $100,000. The ratios are for the largest bank in

each area and the four largest banks combined. The accompanying table divides 160 SMSA's into two equal groups, those smaller and those larger than Colorado Springs. The concentration ratio for the largest bank in the Colorado Springs area is 31 per cent and for the four largest 73 per cent. The large bank ratio falls into the modal groups in the accompanying table and the four bank ratio falls significantly below the modes in both the larger and the smaller SMSA's.

CONCENTRATION RATIOS IN 160 SMSA'S, 1968

Largest Bank			Largest four Banks		
Ratio	Larger SMSA's	Smaller SMSA's	Ratio	Larger SMSA's	Smaller SMSA's
50 & over	9%	15%	90 & over	24%	50%
40-50	15	26	80-90	34	20
30-40	37	28	70-80	13	14
20-30	30	23	60-70	15	10
Less than 20	9	8	Less than 60	14	6
	100	100		100	100

Another way of looking at concentration ratios is to compare distributions of such ratios in unit banking States with those in limited branching or state-wide branching States. The following table does this for 47 SMSA's in 15 unit banking States and 57 SMSA's in 17 limited branching States. It is immediately apparent that these measures show significantly lower levels of concentration in unit banking States. But the ratios do not take into account the affiliations through common ownership of banking chains, satellite arrangements or the dependence inherent in many bank loans to purchase a controlling stock interest. Nor do they incorporate the effects of the recent expansion of holding companies in several States, most notably Florida and Missouri. Therefore, in many unit banking States, the concentration ratios fall significantly short of reflecting the present degree of concentration in ownership and control of banks.

CONCENTRATION RATIOS FOR 47 METROPOLITAN AREAS IN UNIT BANKING STATES COMPARED TO 57 SUCH AREAS IN LIMITED BANKING STATES [1]

Concentration Ratio	One Bank		Four Banks	
	Unit %	Limited Branching %	Unit %	Limited Branching %
Less than 10		2		
10 to 20	15	2		
20 to 30	43	16		
30 to 40	26	38	2	
40 to 50	6	33	2	
50 to 60	6	5	15	3
60 to 70	2	2	15	16
70 to 80	2	2	19	9
80 to 90			21	24
90 & over			26	48
	100	100	100	100

[1] Areas with total deposits of less than $500 million on June 30, 1970. Concentration ratios based on demand deposits IPC under $100,000, as of June 30, 1968.

The unit banking States are:
Arkansas, Colorado, Florida, Illinois, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, Oklahoma, Texas, West Virginia and Wyoming.

The limited branching States are:
Alabama, Georgia, Indiana, Kentucky, Louisiana, Massachusetts, Michigan, Mississippi, New Hampshire, New Jersey, New Mexico, New York, Ohio, Pennsylvania, Tennessee, Utah and Wisconsin.

Concentration ratios are sometimes calculated for States as indicative of the dominance of a small number of banking organizations. The usefulness of such data is limited as there are very few instances in which a State can be regarded as a realistic market area. The following table shows such concentration ratios as of June 30, 1961 and June 30, 1970. It is based on total deposits and all units of a holding company are combined into one banking organization. The data are most interesting because they show a significant decline between 1961 and 1970 in shares of the largest and next to largest banks in over half of the States, little change in a third and an increase in 10 per cent.

MARKET SHARES OF LARGEST BANKING ORGANIZATIONS IN EACH STATE, 1970 AND 1961

State	June 30, 1970		June 30, 1961	
	Number 1	Number 1 & 2	Number 1	Number 1 & 2
Alabama (LB)	12	19	18	25
Alaska (B)	34	61	31	55
Arizona (B)	46	79	47	83
Arkansas (U)	7	11	7	13
California (B)	38	51	41	54
Colorado (U)	15	28	19	34
Connecticut (B)	19	36	18	35
Delaware (B)	33	54	43	63
D.C. (B)	30	54	32	56
Florida (U)	8	14	7	14
Georgia (LB)	20	31	21	36
Hawaii (B)	38	70	43	82
Idaho (B)	37	66	36	67
Illinois (U)	14	27	17	34
Indiana (LB)	9	18	10	19
Iowa (U)	6	9	7	11
Kansas (U)	6	9	7	11
Kentucky (LB)	10	19	12	23
Louisiana (LB)	10	16	14	22
Maine (B)	16	29	14	25
Maryland (B)	20	33	21	35
Massachusetts (LB)	27	39	20	40
Michigan (LB)	17	26	21	31
Minnesota (U)	27	51	31	56
Mississippi (LB)	14	25	13	23
Missouri (U)	8	16	10	19
Montana (U)	29	44	30	43
Nebraska (U)	10	18	15	25
Nevada (B)	62	77	73	86
New Hampshire (LB)	16	26	12	18
New Jersey (LB)	5	10	6	12
New Mexico (LB)	17	32	17	31
New York (LB)	17	31	17	32
North Carolina (B)	21	38	24	41
North Dakota (U)	17	34	19	37
Ohio (LB)	10	16	12	18
Oklahoma (U)	7	14	12	23
Oregon (B)	43	81	43	85
Pennsylvania (LE)	12	19	13	21
Rhode Island (B)	53	85	54	88
South Carolina (B)	23	37	25	36
South Dakota (B)	24	39	24	33
Tennessee (LB)	9	18	11	21
Texas (U)	5	11	8	15
Utah (LB)	36	46	32	53

State	June 30, 1970		June 30, 1961	
	Number 1	Number 1 & 2	Number 1	Number 1 & 2
Vermont (B)	14	28	9	19
Virginia (B)	14	25	7	14
Washington (B)	33	53	36	55
West Virginia (U)	5	10	6	12
Wisconsin (LB)	16	22	20	27
Wyoming (U)	15	23	17	28

I conclude from my analysis of this case that the changes in banking structure taking place in Colorado are not only needed to provide better banking service and to facilitate growth in this developing metropolitan region, but that there is no significant evidence that undue concentration is a threat or that competitive opportunities permitted under our regulatory system are in danger of being stifled.

Appendix A

Banking data for the Colorado metropolitan region, for the U.S. and for two additional metropolitan regions, comprising most of the three SMSA's in Utah (Salt Lake, excluding Davis County, Ogden and Provo-Orem) and two SMSA's in the Puget Sound area of Washington (Seattle and Tacoma), are instructive in revealing the effect of structure patterns on banking services and market penetration.

About 80 per cent of Colorado's 2,196,000 population is located in a multi-city metropolitan region east of the mountains, extending from Fort Collins, in the North, to Pueblo, in the South and centering in Denver. It consists of the seven counties which form three SMSA's plus two counties which are important banking markets. This is the region of Colorado in which the banking structure is undergoing rapid change. It is presently served by 122 (December 1969) banking offices (excluding industrial banks and military facilities) and 100 banking organizations. These banking facilities are so located and linked that they could readily be incorporated into a single urban clearing area. The area is blanketed by common press, radio and television coverage and in this sense is a single market.

Colorado has a much higher population to banking office ratio than either the U. S. as a whole or the comparable metropolitan areas. (See accompanying Table) Thus it is atypical in that the banks in that area provide only 40 per cent of the facilities available on the average in the country as a whole. Economization of offices reduces the cost of banking but, under present-day practices, at the expense of inconvenience to bank customers and the assumption of certain banking services, notable check cashing and currency service, by supermarkets, other retailers, or currency exchanges.

Commercial banks are not the only financial intermediaries providing credit and depository service to the public—savings and loan associations, credit unions, and mutual savings banks (in some areas) are highly competitive with banks.[1] The table shows the number of offices and amount

[1] It is sometimes assumed from the over-all deposit statistics that all or most of the 63 million households in the nation have checking accounts. The 84 odd

of deposits in the Colorado, Utah and Washington areas. These inter-area comparisons are useful in revealing a relatively stable relationship between area income and depository aggregates. But the crude *total* deposit aggregates include correspondent bank balances, money market CD's and large compensating balances in demand accounts which are highly exposed to nonlocal bank competition and often do not accurately portray local competitive positions. If depository totals are refined to more nearly reflect household and local sources of funds, the nature and degree of local bank and nonbank competition and the role of branching is more clearly revealed. (See Table) These relationships are more consistent than total deposits with such income variables as personal income or adjusted gross income.

A reasonable conclusion from these data, bearing in mind that banking facilities are two to three times as numerous in the nation and the illustrative areas as in the Denver region, is that branching makes possible larger organizations and economies of scale that cannot be attained in unit banking and that may be seriously diluted even in holding company organizations. In Washington and Utah, and branching States generally, those economies appear to be absorbed by intra-depository industry competition. In the process more convenient depository services are provided but apparently without significantly enlarging the industry's market size. In States where competition is limited by law and numerous offices are not available, the inconveniences and costs of getting to and from more remote locations are apparently borne by bank customers, particularly household depositors.

Such a conclusion is consistent with the findings in a recent paper (Sept. 1970), by Professor George Benston, of the University of Rochester, wherein he summarized

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million demand deposit accounts in the nation's commercial banks should not be so interpreted. This total includes businesses, nonprofit institutions and multiple accounts of households (estimates for the average household range from 1.2 to 1.4 accounts). A large number of income recipients, probably between 10 and 15 per cent, do not have checking accounts but use coin and currency for their transactions and credit unions, savings and loan associations, mutual savings banks, U.S. savings bonds, and passbook accounts in commercial banks as readily accessible sources of liquidity in an emergency or for major household expenditures. Banks clearly are not the sole alternative for savers nor do they even handle a majority of money settlements for millions of households.

several studies on economies of scale in commercial banking as follows:[2]

> "For an average commercial bank, overall elasticity with respect to operating cost is .93. A 10 per cent increase in the output at the average bank of each service while holding all other independent variables constant at their geometric mean values is accompanied by a 9.3 per cent increase in operating costs.
>
> • • • •
>
> "Branch banking was found to be more expensive than unit banking for both commercial banks and savings and loans. However, these costs increase at a decreasing rate as additional branches are added. Further, for commercial banks, the additional cost of branching appears to be offset by the economies of larger scale operation, since larger banks tend to be branch banks . . . .
>
> ". . . Elasticities measured indicate that larger firms are preferable *cet. par.* However, for specific regulatory decisions the amount of the expected savings and operating costs should be compared to an estimate of the disadvantages, if any, of favoring larger banks. However, one can generalize that the size of the economies of scale is not such that medium sized banks would be 'squeezed out' by larger banks if growth and mergers were allowed. However, small banks do appear to have a considerable cost disadvantage, especially with respect to branches of larger banks. In choosing between chartering a small unit bank or allowing branching of a larger bank, the regulatory authorities should prefer the branching application unless considerations of competition are overriding."

Benston's findings are especially relevant to the issue of a restructured banking system in Colorado. They suggest that greater dependence on large banking organizations could extend the scope and improve the convenience of banking in that State.

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[2] Presented at the 1970 Conference of University Professors, sponsored by the American Bankers Association, the University of California, Los Angeles, and the University of South California.

Appendix B

The richness and penetration of the banking market in the Colorado Springs SMSA is best examined by reviewing the comparative performance by all area depository institutions; commercial banks, savings and loan associations and credit unions. As is apparent from the data already cited, this comparison should be done by reference to the level of bank time and savings deposits under $100,000 since this is the financial sector which is sensitive to local competitive forces.

Time and savings account deposits at all depository institutions in per capita terms are significantly lower in the Colorado Springs SMSA (849) than in the Pueblo ($1,320) and Denver SMSA's ($1,725), or in Boulder or Larimer Counties.

The major source for the relatively poor showing of intermediaries in the Colorado Springs SMSA does not seem to be due to lack of competition on the part of the commercial banks there. It lies in the failure of the intermediaries as a group to match the performance of similar institutions in the Denver and Pueblo SMSA's or in Boulder or Larimer Counties. In fact, even though time and savings deposits of commercial banks lag well behind the combined total for savings and loan associations and credit unions in all of these areas (no more than 40 per cent of the depository market), the differential is not significantly less adverse in Colorado Springs than elsewhere.

The relatively stable relationship of population to demand deposit accounts under $100,000 noted earlier in the comparison of the Colorado metropolitan region with SMSA's in Utah and Washington and with national data also shows up within Colorado. The average size of such accounts under $1,000 and per capita demand deposit totals are not greatly different within the region. However, there are significantly more accounts per capita in Colorado Springs (.41) compared to Denver and Pueblo SMSA's (.34).

Colorado Deposit Markets

	SMSA's			Counties	
	Col. Springs	Denver	Pueblo	Boulder	Larimer
Time & Savings Accounts per Capita					
Commercial Banks (under $100,000)		$ 334	$ 670	$ 410	$ 575
Savings & Loan and Credit Unions	515	1,055	910	806	870
Total	849	1,725	1,320	1,234	1,445
Per Cent Time & Saving in Commercial Banks	39	39	31	35	40
No. of Bank Time & Saving Accts. per capita	.32	.34	.34	.34	.32
IPC Demand Deposits Under $100,000					
Amount per capita	$ 393	$ 455	$ 321	$ 408	$ 395
No. of accts. per capita	.41	.34	.34	.42	.43
Average size of IPC Demand Acct. (Under $1,000)	$ 217	$ 235	$ 207	$ 243	$ 217

A partial explanation of these characteristics of the Colorado Springs banking and depository markets probably lies in the fact that 20 to 30 per cent of the households or potential depositors in the area are military personnel. Some have established financial connections in other locations. Others obviously make only partial use of local banking facilities, apparently using service-charge type demand deposit accounts. Thus the banks in Colorado Springs seem to be able to attract at least as many and even more accounts (relative to population) than in other Colorado areas but the average balances are consistently lower, particularly in time and savings accounts.

Another bit of evidence suggesting that the market in Colorado Springs is less attractive than might appear is that savings and loan and credit union totals also run well behind those in the other areas. Part of the reason must be that adjusted gross income lags in the Colorado Springs SMSA. It is almost a third higher in Denver SMSA and Boulder County; it is 10 per cent higher in Pueblo SMSA. In short, Colorado Springs is not a particularly productive banking market even when cultivated intensively.

COMPARATIVE BANKING AND DEPOSITORY MEASURES

Colorado, Utah, Washington, United States

	Metropolitan Areas		
	Colorado	Utah	Washington
Population (thousands) 4/1/70 (preliminary)	1,764	728	1,810
Number of Comm. Banking Offices (8/70)	121	105	281
Number of Mutual Savings Bank Offices (8/70)	0	0	26
Number of Savings & Loan Offices (5/31/70)	94	23	78
Total Offices	215	128	385
Population per Commercial Banking Office	14,582	6,937	6,440
Population per Depository Inst. Office	8,206	5,690	4,700
Adj. Gross Income per capita	$ 2,136	$ 1,870	$ 2,868
Personal Income per capita	3,492	2,868	4,067
Total Deposits (millions)			
Commercial Banks (6/29/68)	$ 2,902	$ 1,188	$ 2,605
Mutual Savings Banks "	0	0	819
Savings & Loan Associations (9/68)	1,460	327	987
Total	4,362	1,515	4,411
Total Deposits per capita			
Commercial Banks	$ 1,645	$ 1,631	$ 1,440
Mutual Savings Banks	0	0	453
Savings & Loan Associations	828	449	545
Total	2,473	2,080	2,438
Time & Savings IPC (under $100,000) (millions)			
Commercial Banks	$ 1,073	$ 459	$ 1,173
Mutual Savings Banks	0	0	806
Total	1,073	459	1,979
Time & Savings (under $100,000 per capita)			
Commercial Banks	$ 608	$ 631	$ 684
Mutual Savings Banks & Savings & Loan Assocs.	828	449	991
Total	1,436	1,080	1,639
Demand Deposits under $100,000 (millions)			
IPC Total	$ 763	$ 266	$ 766
Per Capita	432	365	423
Per Capita Deposits under $100,000 of Mutual Savings Banks, Savings & Loan Associations, IPC Demand, Time and Savings of Commercial Banks	$ 1,868	$ 1,445	$ 2,062

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COMPARATIVE BANKING AND DEPOSITORY MEASURES

Colorado, Utah, Washington, United States

	Metropolitan Areas			
	Colorado	Utah	Washington	U.S. Totals
tion (thousands) 4/1/70 (preliminary)	1,764	728	1,810	204,351
of Comm. Banking Offices (8/70)	121	105	281	36,049
of Mutual Savings Bank Offices (8/70)	0	0	26	1,528
of Savings & Loan Offices (5/31/70)	94	23	78	8,498
Offices	215	128	385	46,075
tion per Commercial Banking Office	14,582	6,937	6,440	5,669
tion per Depository Inst. Office	8,206	5,690	4,700	4,435
ross Income per capita	$ 2,136	$ 1,870	$ 2,868	$ 2,280
l Income per capita	3,492	2,868	4,067	3,421
Deposits (millions)				
rcial Banks (6/29/68)	$ 2,902	$ 1,188	$ 2,605	$400,878
l Savings Banks "	0	0	819	63,031
gs & Loan Associations (9/68)	1,460	327	987	126,779
	4,362	1,515	4,411	590,688
Deposits per capita				
rcial Banks	$ 1,645	$ 1,631	$ 1,440	$ 1,961
l Savings Banks	0	0	453	308
gs & Loan Associations	828	449	545	621
	2,473	2,080	2,438	2,890
Savings IPC (under $100,000) (millions)				
rcial Banks	$ 1,073	$ 459	$ 1,173	$144,863
l Savings Banks	0	0	806	62,064
	1,073	459	1,979	206,927
Savings (under $100,000 per capita)				
rcial Banks	$ 608	$ 631	$ 684	$ 709
l Savings Banks & Savings & Loan Assocs.	828	449	991	925
	1,436	1,080	1,639	1,624
Deposits under $100,000 (millions)				
otal	$ 763	$ 266	$ 766	$ 93,171
apita	432	365	423	456
ita Deposits under $100,000 of l Savings Banks, Savings & Loan ations, IPC Demand, Time and gs of Commercial Banks	$ 1,868	$ 1,445	$ 2,062	$ 2,080

In our judgment, Applicant's acquisition of Bank will eliminate existing competition, foreclose potential competition, lessen the likelihood of formation of a strong competitor to the existing holding companies in the State, and further the concentration of banking resources in Colorado. Based on the facts of record and the statutory criteria, we would deny the application.

Consummation of the proposal will eliminate present competition between Bank and Applicant's largest subsidiary, First National Bank of Denver ("Denver Bank"), located 71 miles north of Colorado Springs. Such competition is particularly significant and immediate with respect to mortgage lending; Denver Bank maintains a loan production office approximately one block from Bank in Colorado Springs that competes actively with Bank for mortgage loans. During the first six months of 1970, Bank ranked third in mortgage lending in the Colorado Springs area, while Denver Bank ranked fourth. Combined, Denver Bank and Bank constitute the largest mortgage lender in the area. Additionally, Denver Bank derives a substantial number of its trust accounts from Colorado Springs and the two banks compete to some extent for the deposit accounts of large companies and developers in the area.

Bank is the ninth largest banking organization and the second largest independent bank in Colorado. It is affiliated with another bank in Colorado Springs ($14 million deposits) and with two banks in the Pueblo area (combined deposits of $58 million), one of which is the largest bank in its area and the largest independent bank in the State. Thus, Bank is part of a banking group with assets of over $120 million—one of only eight organizations in Colorado which have deposits in excess of $100 million—which could serve as the nucleus of a new holding company offering competition to Applicant and the other large banking organizations in the State.

Ordinarily, a favorable aspect of the application would be its introduction of new competition into Colorado Springs by breaking the affiliation between Bank and another bank in that market. Under the circumstances of this case, however, the breaking of the affiliation will likely mean that one

less Statewide banking organization will be formed, with all the members of the above-described chain becoming affiliates of one or the other of the few large holding companies now in existence. Any benefits to competition which consummation of the proposal might provide could be achieved through means less inimical to regional competition than the present proposal. Moreover, alternate methods of entry in the Colorado Springs area would also be more beneficial to competition in that area, since such entry would likely lead to meaningful deconcentration, while Applicant's acquisition of the largest independent bank in the area would tend to produce the opposite result.

In this connection, we believe that Colorado Springs is not, as the majority contends, an unattractive market for *de novo* entry. That market has enjoyed a good growth rate (between 1960 and 1970 the population has increased from 70,000 to 145,000), and has a higher than average population per banking office (12,700). The total deposits per banking office ($13,434) compare favorably with the ratio in the State of Colorado ($13,617) as well as that prevailing throughout the United States ($12,559).

In addition to the above, we previously have expressed our belief that approval of the acquisition of large banking organizations by the large Colorado holding companies is inconsistent with the Congressional mandate to control the expansion of bank holding companies so as to present concentration of banking resources in a few large organizations (e.g., 1970 Federal Reserve Bulletin 543). The considerations which compelled our votes to deny that application apply with equal if not stronger force to the present application.

On all of the facts of record, we conclude that the acquisition will substantially lessen competition without offsetting public benefit, and that it should be denied.

April 1, 1971.

TABLE

DEPOSITS IN U.S. COMMERCIAL BANKS AND OTHER PASSBOOK SAVINGS INSTITUTIONS
1940 - 1969
(In Millions of Dollars)

	1940	1945	1950	1955	1960
Commercial Banks	65,750	151,176	156,100	193,200	230,500
Mutual Savings Banks	10,660	15,385	20,025	28,182	36,343
Savings and Loan Associations	4,322	7,365	13,992	32,142	62,142
Credit Unions	212	367	884	2,447	4,981
Total Deposits	80,944	174,293	191,001	255,971	333,966
Commercial Banks %	81.22%	86.73%	81.73%	75.48%	69.02%
100 Largest Commercial Banks	37,637	72,538	71,690	90,498	109,024
100 Largest Commercial Banks %	46.49%	41.61%	37.53%	35.35%	32.64%

Source: Tables 651 and 670, United States Statistical Abstract, 1970. (Individual listed sources for data, American Banker, shares of 100 largest commercial banks.

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TABLE

ITS IN U.S. COMMERCIAL BANKS AND OTHER PASSBOOK SAVINGS INSTITUTIONS, SELECTED YEARS, 1940 - 1969
(In Millions of Dollars)

	1940	1945	1950	1955	1960	1965	1969
	65,750	151,176	156,100	193,200	230,500	333,800	440,000
	10,660	15,385	20,025	28,182	36,343	52,443	67,086
ociations	4,322	7,365	13,992	32,142	62,142	110,385	135,489
	212	367	884	2,447	4,981	9,221	13,680
	80,944	174,293	191,001	255,971	333,966	505,849	656,255
	81.22%	86.73%	81.73%	75.48%	69.02%	65.99%	67.05%
cial Banks	37,637	72,538	71,690	90,498	109,024	160,783	229,359
cial Banks %	46.49%	41.61%	37.53%	35.35%	32.64%	31.78%	34.95%

and 670, United States Statistical Abstract, 1970. (Individual listed sour ces for data prior to 1950.)
Banker, shares of 100 largest commercial banks.

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CONSUMER INSTALLMENT CREDIT OUTSTANDING, BY TYPE OF CREDIT AND BY HOLDER (IN MILLIONS OF DOLLARS. NOT SEASONALLY ADJUSTED)

Type of credit and institution	Feb. 28, 1971
Total	99,244
Commercial banks	41,446
Finance companies	30,511
Other financial lenders, total	13,953
Credit unions [1]	12,351
Miscellaneous lenders	1,602
Retail outlets [2]	13,334
Automobile	34,869
Commercial banks	19,726
Finance companies	9,672
Other financial lenders	5,148
Automobile dealers	323
Other consumer goods	28,928
Commercial banks: Total	8,535
Credit cards	3,054 [3]
Other	5,481
Finance companies	6,493
Other financial lenders	889
Retail outlets	13,011
Home repair and modernization	4,051
Commercial banks	2,704
Finance companies	93
Other financial lenders	1,254
Personal loans	31,396
Commercial banks: Total	10,481
Check-credit	1,165
Other	9,316
Finance companies	14,253
Other financial lenders	6,662

[1] Included with other financial lenders in classification by type of credit.

[2] Includes auto credit at dealers and other consumer goods credit at retail outlets.

[3] Credit cards and related plans of commercial banks

Source: Federal Reserve Statistical Release, April 2, 1971.

CONSUMER NON-INSTALLMENT CREDIT
FEBRUARY 28, 1971 (000,000)

Single-payment loans	9,506
Charge accounts *	7,353
Service credit	7,712
TOTAL	24,571

* In addition to retail charge accounts, includes $1,918 million in service station and miscellaneous credit-card accounts and home-heating oil accounts.

Source: Federal Reserve Statistical Release, April 2, 1971.

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Table

Credit Unions in the United States, 1950-1969

	1950	1960	1969
Number of credit unions reported	10,571	20,056	23,808
Number of credit union members	4,610,000	12,058,000	21,662,000
Total assets ($ million)	1,006	5,659	15,951
Loans outstanding ($ million)	680	4,402	12,846
Savings ($ million)	884	4,981	13,680
Relative importance of credit unions as lenders of consumer installment credit [1]	4.0%	9.1%	11.8%

[1] Percent of total amount of consumer installment credit outstanding held by all financial institutions and retail outlets.

Source: Statistical Abstract of the United States, 1970, Tables 661 and 673, Bureau of the Census, U.S. Department of Commerce.

Farm Loans Held by Lenders - United States

January 1, Selected Years

	Volume Outstanding (In Millions of Dollars)						
	1959	% of Total	1964	% of Total	1968	% of Total	
Banks	$ 5,673	24.3	$ 9,012	24.5	$12,814	23.9	$
Merchants, Dealers, Finance Companies, Individuals, and Others	8,165	34.9	13,476	36.7	20,068	37.4	
Rural Electrification Administration	2,824	12.1	3,784	10.3	4,590	8.6	
Life Insurance Companies	2,661	11.4	3,781	10.3	5,543	10.3	
Production Credit Associations	1,115	4.8	2,105	5.7	3,518	6.6	
Federal Intermediate Credit Banks	34	.4	126	.3	176	.3	
Federal Land Banks	2,065	8.8	3,282	8.9	5,563	10.4	
Farmers Home Administration (2)	794	3.4	1,199	3.3	1,335	2.5	
TOTAL	$23,381		$36,765		$53,606		$

(1) Preliminary.

(2) Real estate loans included are limited to direct loans

(3) Estimated.

SOURCE: Economic Research Service, U.S.D.A., Agricultural Credit and Related Data 1969, The American Bankers Association.

Farm Loans Held by Lenders - United States

January 1, Selected Years

	Volume Outstanding (In Millions of Dollars)							
	1959	% of Total	1964	% of Total	1968	% of Total	1969	% of Total
	$ 5,673	24.3	$ 9,012	24.5	$12,814	23.9	$ 13,577	23.3
Dealers, Finance Companies,								
als, and Others	8,165	34.9	13,476	36.7	20,068	37.4	21,305(3)	37.4
dification Administration	2,824	12.1	3,784	10.3	4,590	8.6	4,897	8.6
ce Companies	2,661	11.4	3,781	10.3	5,543	10.3	5,777(1)	10.1
Credit Associations	1,115	4.8	2,105	5.7	3,518	6.6	3,826	6.7
rmediate Credit Banks	34	.4	126	.3	176	.3	183	.3
d Banks	2,065	8.8	3,282	8.9	5,563	10.4	6,079	10.7
me Administration (2)	794	3.4	1,199	3.3	1,335	2.5	1,316	2.3
TOTAL	$23,381		$36,765		$53,606		$56,960	

inary.

tate loans included are limited to direct loans

ted.

SOURCE: Economic Research Service, U.S.D.A., Agricultural Credit and Related Data 1969, The American Bankers Association.

ASSETS OF FINANCIAL AND NONFINANCIAL INSTITUTIONS: 1950 to 1968

[In billions of dollars, except percent. As of December 31]

Type of Transaction	TOTAL					PERCENT			
	1950	1955	1960	1965	1968	1950	1955	1960	
All Transactions	996.4	1,468.2	1,969.9	2,967.8	3,803.7	100.0	100.0	100.0	
Households	431.5	683.7	931.0	1,438.8	1,876.4	43.3	46.6	47.3	
Nonfinancial business	133.2	181.3	233.7	319.2	393.3	13.4	12.3	11.9	
Farm	7.2	7.5	7.2	8.2	9.4	0.7	0.5	0.4	
Nonfarm noncorporate	14.4	17.9	20.7	23.6	26.6	1.4	1.2	1.1	
Corporate nonfinancial	111.6	155.9	205.8	287.4	357.2	11.2	10.6	10.4	
U.S. Government	43.3	55.1	65.2	88.9	91.5	4.3	3.8	3.3	
State and local governments	22.8	35.7	49.5	82.7	62.3	2.3	2.4	2.5	
Monetary authorities	49.4	53.0	52.2	63.1	75.8	5.0	3.6	2.6	
Commercial banks	147.8	185.1	226.0	337.6	439.7	14.8	12.6	11.5	
Nonbank finance	140.5	233.2	351.7	553.4	735.7	14.1	15.9	17.9	
Insurance companies	75.2	108.9	144.1	194.3	231.0	7.5	7.4	7.3	
Savings and loan assoc.'s	16.9	37.7	71.5	129.6	152.8	1.7	2.6	3.6	
Mutual savings banks	22.4	31.3	40.6	58.2	71.2	2.2	2.1	2.1	
Private pension funds	6.3	17.6	36.8	70.2	98.3	0.6	1.2	1.9	
Finance and investment companies	11.4	25.1	42.0	76.8	101.7	1.1	1.7	2.1	
Other	8.3	12.6	16.7	24.3	106.8	0.8	0.9	0.8	
Rest of the world	27.9	41.0	60.5	84.2	102.8	2.8	2.8	3.1	

SOURCE: Board of Governors of the Federal Reserve System; Flow of Funds Accounts 1945-1967, Federal Reserve Bulletin, May 1968, and unpublished data, as reported in the Statistical Abstract of the United States 1969, Table No. 639.

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ASSETS OF FINANCIAL AND NONFINANCIAL INSTITUTIONS: 1950 to 1968

[In billions of dollars, except percent. As of December 31]

TOTAL					PERCENT				
1950	1955	1960	1965	1968	1950	1955	1960	1965	1968
996.4	1,468.2	1,969.9	2,967.8	3,803.7	100.0	100.0	100.0	100.0	100.0
431.5	683.7	931.0	1,438.8	1,876.4	43.3	46.6	47.3	48.5	49.3
133.2	181.3	233.7	319.2	393.3	13.4	12.3	11.9	10.8	10.4
7.2	7.5	7.2	8.2	9.4	0.7	0.5	0.4	0.3	0.2
14.4	17.9	20.7	23.6	26.6	1.4	1.2	1.1	0.8	0.7
111.6	155.9	205.8	287.4	357.2	11.2	10.6	10.4	9.7	9.4
43.3	55.1	65.2	88.9	91.5	4.3	3.8	3.3	3.0	2.4
22.8	35.7	49.5	82.7	62.3	2.3	2.4	2.5	2.8	1.6
4[illegible].4	53.0	52.2	63.1	75.8	5.0	3.6	2.6	2.1	2.0
147.8	185.1	226.0	337.6	439.7	14.8	12.6	11.5	11.4	11.6
140.5	233.2	351.7	553.4	735.7	14.1	15.9	17.9	18.6	19.3
75.2	108.9	144.1	194.3	231.0	7.5	7.4	7.3	6.5	6.1
16.9	37.7	71.5	129.6	152.8	1.7	2.6	3.6	4.4	4.0
22.4	31.3	40.6	58.2	71.2	2.2	2.1	2.1	2.0	1.9
6.3	17.6	36.8	70.2	98.3	0.6	1.2	1.9	2.4	2.6
11.4	25.1	42.0	76.8	101.7	1.1	1.7	2.1	2.6	2.7
8.3	12.6	16.7	24.3	106.8	0.8	0.9	0.8	0.8	2.8
27.9	41.0	60.5	84.2	102.8	2.8	2.8	3.1	2.8	2.7

[illegible]rs of the Federal Reserve System; Flow of Funds Accounts 1945-1967, Federal Reserve Bulletin, [illegible]published data, as reported in the Statistical Abstract of the United States 1969, Table No. 639.

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NEW SAVINGS, WITHDRAWALS, AND NET INFLOW FOR FSLIC—INSURED S & LA'S IN PHILADELPHIA SMSA, YEARS 1953 - 1968
(in thousands of dollars)

Year	New Savings Received	Withdrawals	Net Inflow
1968	$894,667	$748,310	$146,357
1967	963,458	765,521	197,937
1966	745,822	727,821	18,001
1965	751,582	558,146	193,436
1964	673,046	500,353	172,693
1963	616,614	460,782	155,832
1962	591,490	435,483	156,007
1961	565,900	381,022	184,878
1960	497,370	355,763	141,607
1959	452,802	326,726	126,076
1958	396,894	296,100	127,794
1957	339,979	256,283	83,696
1956	327,640	224,385	103,255
1955	299,813	192,899	106,914
1954	267,066	156,009	111,057
1953	220,154	136,815	83,339

Source: Data Management Division, Federal Home Loan Bank Board

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TABLE

Deposit Activity in Regular Accounts in Mutual Savings Banks in Pennsylvania, 1959 - 1967
(In Millions of Dollars)

Year	Amounts Deposited	Withdrawals	Net Change in Deposits [1]
1959	493.4	444.2	+ 49.2
1960	472.4	451.4	+ 21.0
1961	491.8	474.4	+ 17.4
1962	653.7	486.0	+167.7
1963	714.2	553.3	+160.9
1964	772.4	614.0	+158.4
1965	795.3	688.4	+106.9
1966	763.6	846.9	− 83.3
1967	918.7	849.1	+ 69.6

[1] Excludes interest.

Source: Annual Reports and National Fact Books of National Association of Mutual Savings Banks.

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WHERE DID YOU JUST COME FROM
before reaching the bank?

WHERE ARE YOU GOING TO NEXT
Immediately after leaving the bank?

Just Came From	Going to Next	No.	Percent	Percent Range of Replies Low	High
Work	Back to work	5,020	29.4	20.3	56.8
Home	Shopping	2,782	16.3	11.4	19.6
Home	Back to Home	2,752	16.1	13.3	18.7
Work	Home	2,096	12.3	3.2	22.0
Home	Work	1,572	9.2	3.6	12.7
All Other		2,880	16.7		
		17,102	100.0		

THOSE making a special trip just for banking purposes (Work and back to work, plus Home and back to home) totaled 0,772 or 45.4%. For separate banking offices the range was 37.5-58.7%.

THE REPLIES were not affected by day of week, time of day, whether drive-in or lobby, or mode of transportation used in reaching the bank, except in obviously affected situations.

> For example, those stopping at the bank en route from work to home were greater in number on pay-days; those stopping at the bank en route from home to shopping were greater in number on late nights. The type of territory served (industrial, upper-income residential, etc.) similarly only had such obvious effects.

THE PERIOD covered by the surveys was a minimum of one full week for all banking hours at each office. Both commercial and savings institutions are included for all types of deposits.

SOURCE: Spencer Wert & Associates, New York, New York.

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Reason for Selecting Bank for the Main Household Checking Account

Reason	*Per Cent* *
Convenient to Home	47
Convenient to Work	11
Family has always used	6
Was convenient, kept after moving	4
Only one there (at time) no choice	2
Convenient to Shopping	4
Nice, friendly, like it	10
Recommended	4
Have Mortgage, loan, etc., there	2
Other	19

* Exceeds 100% due to some responses with more than one reason.

Source: Study, Staff of the Board of Governors of the Federal Reserve System in cooperation with the Federal Reserve Bank of Philadelphia as reported in the March, 1969, issue of the *Business Review* of the Federal Reserve Bulletin (Philadelphia).

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TABLE

Correspondent Balances of Banks in First National Bank of Denver's Service Area, 12/31/69 and of First National Bank of Greeley as of that date in that Service Area

State	Balance at Banks Less Reciprocals & Fed. Balances 12/31/69 (000)	
Colorado	206,363	
Kansas	298,787	
Nebraska	177,674	
New Mexico	49,516	
Wyoming	58,223	
	790,563	
First National Bank of Denver	67,614	8.6%
First National Bank of Greeley	1,357	0.2%

SOURCES: Federal Reserve Bank of Kansas City Special Study; Answer to Interrogatories 21, 25.

* Area from which major Denver banks have almost 90% of their sales of bank services to other banks (Justice pre-trial brief, p. 42). Only about 60% of major Denver bank deposits are drawn from inside Colorado (ibid).

** If the affiliation is approved and First National of Denver succeeds to all First National of Greeley's business in the service area, it would gain full control of 0.2% of service area correspondent balances.

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TABLE

PROFITABILITY ANALYSIS FIRST NATIONAL BANK OF GREELEY CORRESPONDENT ACCOUNT WITH FIRST NATIONAL BANK OF DENVER—CALENDAR YEAR 1970

January	+89.93	July	—[224.50]
February	+992.50	August	+2,210.34
March	+59.70	September	+1,409.41
April	—[269.00]	October	—[1.18]
May	—[115.18]	November	+334.14
June	—[175.64]	December	+731.81
	TOTAL (Before Taxes)		$5,042.33
	After Tax Income FNB Denver (Calendar Year 1970		5,096,003
	% Contribution FNB Greeley Correspondent Account		0.05%

SOURCE: Internal Records First National Bank of Denver

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Line of Commerce Mortgage Loans
Weld County

Lenders	No. of Loans	%	Amount	%
Weld County	380	14.8	$15,257,187	22.9
All Other Banks	150	5.8	5,863,889	8.8
Total—All Commercial Banks	530	20.6	$21,121,076	31.7
Savings & Loan Associations	353	13.7	$ 8,432,020	12.7
Insurance Companies	132	5.1	3,663,550	5.5
Farmers Home Administration	78	3.0	2,692,690	4.0
Federal Land Bank	65	2.5	2,911,700	4.4
Production—Credit Associations	12	.5	1,506,264	2.3
Industrial Banks	120	4.7	771,644	1.2
Mortgage Companies [1]	74	2.9	1,184,770	1.8
Other Company Lenders [2]	243	9.4	4,131,817	6.2
Private Individuals	125	4.9	12,287,058	18.5
Miscellaneous [3]	843	32.7	7,769,012	11.7
Total—Non-Banks	2,045	79.4	$45,350,525	68.3
TOTAL	2,575	100.0	$66,471,601	100.0

[1] To the extent identifiable.

[2] All other "companies" as opposed to individuals.

[3] Company loans under $10,000; Individual loans under $30,000.

Source: Security Abstract Co.

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TABLE

BANKS INSIDE STATES AND COMMUNITIES CONTIGUOUS TO COLORADO WHICH ARE DOWNSTREAM CORRESPONDENTS WITH MAJOR DENVER BANKS

State	Banks	Number of Correspondent Relationships
Kansas	65 of 606	68
Nebraska	60 of 443	69
New Mexico	38 of 64	43
Utah [1]	12 of 50	15
Wyoming	53 of 70	88
	TOTAL	283

[1] Statewide Branch Banking State. Major relationships would, accordingly, be few.

KANSAS

Town	Bank	Denver Correspondent
Albert	The Farmers State Bank	Central
Atwood	The Farmers National	Central
	State Bank of Atwood	Central
Bazine	The Bazine State Bank	Central
Bennington	The Bennington State Bank	Central
Bird City	The Security State Bank	Central
Burdett	The Burdett State Bank	Central
Cimarron	The First National Bank	Central
Colby	The Farmers & Merchants Bank	Central
Garden City	The Garden National Bank	Central
Goodland	First National Bank	United Bk./Denver/Fi Natl. & Central
Gorham	The Gorham State Bank	Central
Great Bend	Security State Bank	Central
Greensburg	Greensburg State Bank	Central
Grinnell	Peoples State Bank	Central
Healy	The First State Bank	Central
Hill City	Consolidated State Bank	Colorado National
Hoisington	The First National Bank	Central
Hoxie	The Hoxie State Bank	United Bk./Denver Central
Jennings	The First State Bank	Central
Kansas City	Brotherhood State Bank	Colorado National
	Security National Bank	Central
Kensington	The First National Bank	Central
Kinsley	The Kinsley Bank	Colorado National
Lakin	The Kearny County Bank	Central
Larned	The First State Bank	Central
Lewis	The Home State Bank	Central
Liberal	The First National Bank	Central
Ludell	The Farmers State Bank	Central
McDonald	The Peoples State Bank	Central
Minneola	The Peoples State Bank	Central
Morland	Citizens State Bank	Central
Nekoma	The Nekoma State Bank	Central
Norton	The First State Bank	Central
Oakley	The Farmers State Bank	Central
Oberlin	The Farmers National Bank	Central
Otis	Otis State Bank	Central
Plains	The Plains State Bank	Central
Rexford	The Rexford State Bank	Central
Russell	Russell State Bank	Central
Saint Francis	The Cheyenne County State Bank	United Bk./Denver
	The Citizens State Bank	Central/First National
Salina	The National Bank of America	Colorado National
	Planters State Bank	United Bk./Denver Central
Satanta	The State Bank of Satanta	Central

Town	Bank	Denver Correspondent
Scott City	The First National Bank	United Bk./Denver
	Security State Bank	Central
Sharon Springs	The Peoples State Bank	Central
Smith Center	The First National Bank	Central
	The Smith County State Bk. & Tr. Co.	Central
Stuttgart	The Farmers State Bank	Central
Syracuse	First National Bank	Central
	The Valley State Bank	Central
Topeka	The Topeka State Bank	Central
WaKeeney	First National Bank	Colorado National
	The Trego-WaKenney State Bank	Central
Wichita	East Side National Bk. & Tr. Co.	So. Colorado Nat'l. Bk.
	Union National Bank	Colorado National
	First National Bank	First National
Centralia	First National Bank	First National
Goodland	Goodland State Bank	First National
Hoxie	First National Bank	First National
Topeka	The State's Savings Bank	First National

Source: Polks World Bank Directory, March, 1971 Edition Records of First National

NEBRASKA

Town	Bank	Denver Correspondent
Alliance	Alliance National Bank	Colorado National
	The Guardian State Bank	Colorado National/First Nat'l.
Bertrand	Bank of Bertrand	United Bk./Denver
Brady	Bank of Brady	Central
Brule	Bank of Brule	Central
Bushnell	Kimball County Bank	United Bk./Denver
Cairo	The State Bank of Cairo	United Bk. of Denver
Campbell	Campbell State Bank	Central
Chardon	Bank of Chadron	Central
	First National Bank	United Bk./Denver
Culbertson	The Culbertson Bank	Central
Dalton	Dalton State Bank	University Nat'l./First Natl.
Farnam	Farnam Bank	University Nat'l. Bk.
Gering	Bank of Gering	Central
	The Gering National Bank	American Nat'l./First Natl.
Gordon	Gordon State Bank	Colorado National
Gothenburg	First State Bank	Central
		Colorado National
Grand Island	The Overland National Bank	Central
Harrisburg	Banner County Bank	Colorado National
Hastings	City National Bank	United Bank of Denver
	First National Bank	Central
Hay Springs	The First National Bank	American National
Hemingford	Bank of Hemingford	Central
Imperial	The First National Bank	Central
Kearney	First National Bank	United Bk./Denver
	Platte Valley State Bk. & Tr. Co.	Central/First National
Kimball	The American National Bank	Central
	First State Bank	Colorado National
Lewellen	First National Bank	Central
Lincoln	First National Bk. & Tr. Co.	United Bk./Denver
	National Bank of Commerce	United Bk./Denver
Maywood	Farmers State Bank	Central
McCook	The First National Bank	United Bk./Denver
	The McCook National Bank	Central
Minden	The First National Bank	Central
North Platte	McDonald State Bank	United Bk./Denver
		Central
Ogallala	The First National	Central/First National
	Keith County Bk. & Tr. Co.	Colorado National
Ord	Nebraska State Bank	Central
Palmer	State Bank	Central
Potter	The Potter State Bank	Central
Ravenna	The Ravenna Bank	Central
Rushville	The Stockmens National Bank	Central

Town	Bank	Denver Correspondent
Scottsbluff	First State Bank	United Bk./Denver
	The Scottsbluff National Bank	Central/First National
Sidney	The American National Bank	Central/First National
	Sidney National Bank	Colorado National
Springfield	Springfield State Bank	Central
Trenton	State Bank of Trenton	Central
Valentine	Bank of Valentine	Colorado National
York	The First National Bank	Central
—		
Bassett	Commereial Bank	First National
Bayard	First National Bank	First National
Benkelman	State Bank of Benkelman	First National
Big Springs	Farmers State Bank	First National
Bridgeport	Bridgeport State Bank	First National
Chappel	Duel County State Bank	First National
Gothenburg	Gothenburg State Bank	First National
Hyannis	Bank of Hyannis	First National
Scottsbluff	Western National Bank	First National

Source: Polks World Bank Directory, March, 1971 Edition Records of First National

NEW MEXICO

Town	Bank	Denver Correspondent
Alamagordo	Security Bk. & Trust Co.	First National
Albuquerque	Albuquerque National Bank	First National/United Bk./Denver
	American Bank of Commerce	First National
	Bank of New Mexico	American National
	The First National Bank	Colorado Nat'l./United Bk./Denver
	Fidelity National Bank	American National
Artesia	Peoples State Bank	Colorado National
Belen	Ranchers State Bank	Central
Clayton	Farmers & Stockmens Bank	First National/Central
	First National Bank	Colorado Nat'l./United Bk./Denver
Clovis	The Citizens Bank	Colorado National
Deming	Mimbres Valley Bank	Colorado National
Espanola	First Nat'l. Bk. of Rio Arriba	First National
	Valley National Bank	Colorado National
Farmington	The Citizens Bank	Central
	Farmington National Bank	Colorado National
	The First National Bank	Colorado National
Gallup	First State Bank	American National
Grants	First National Bank	Colorado National
	Grants State Bank	First National
Hobbs	First National Bank	Colorado National
Las Vegas	The Bank of Las Vegas	First National
	First National Bank	Central
Lordsburg	The First National Bank	Colorado National
Los Alamos	Los Alamos National Bank	Colorado National
Portales	The First National Bank	Colorado National
Raton	First National Bank	United Bk./Denver
	International State Bank	First National
Roswell	Security National Bank	Central
Santa Fe	Bank of Santa Fe	Colorado National
	The First National Bank	First National/United Bk./Denver
	Santa Fe National Bank	American National
Santa Rosa	The First National Bank	Colorado National
Socorro	First State Bank	Central
Springer	Citizens State Bank	Central
Taos	Centinel Bank of Taos	Colorado National
	First State Bank	United Bk./Denver
Tucumcari	The First National Bank	Colorado National

Source: Polks World Bank Directory, March, 1971 Edition Records of First National

UTAH

Town	Bank	Denver Correspondent
Moab	Moab National Bank	Colorada National
Ogden	Bank of Utah	First National
	Citizens National Bank	Central
	Commercial Security Bank	First National
Price	Carbon Emery Bank	First National
Salt Lake City	The Continental Bank & Tr. Co.	Central
	First Security Bank of Utah	First National/United Bk./Denver
	Tracy-Collins Bk. & Trust Co.	United Bk./Denver
	Valley Bank & Trust Co.	First National
	Walker Bank & Tr. Co.	First National /American National and United Bk./Denver
	Zions First National Bank	First National
Vernal	Bank of Vernal	Colorado National

Source: Polks World Bank Directory, March, 1971 Edition Records of First National

WYOMING

Town	Bank	Denver Correspondent
Basin	Security State Bank	First National
Big Piney	State Bank of Big Piney	United Bk./Denver
Buffalo	The First National Bank	Colorado Nat'l./United Bk./Denver
	Wyoming Bank & Trust Co.	Central
Burns	Farmers State Bank	Colorado Nat'l.
Casper	First National Bank	First National/American Nat'l.
	Hilltop National Bank	Security Nat'l./United Bk./Denver and First National
	Security Bank & Trust Co.	Colorado Nat'l.
	Western National Bank	American Nat'l.
	Wyoming National Bank	First National/United Bk./Denver and Central
Cheyenne	The American National Bank	Central/United Bk./Denver and First National
	Cheyenne National Bank	Central/American National
	First Cheyenne State Bank	American National
	The First Nat'l. Bank & Trust Co.	Colorado Nat'l./United Bk.-Denver
Cody	First State Bank	Colorado National
	Shoshone First Nat'l. Bk.	American Nat'l./Central
Douglas	The Converse County Bank	Central/First National
	First National Bank	United Bk./Denver
Dubois	Dubois National Bank	Colorado Nat'l./First National
Evanston	First National Bank	Central
Gillette	First National Bank	Central
	Stockmen's Bank	First National/United Bk./Denver and Colorado National
Glenrock	First National Bank	American National
Green River	First National Bank	American National
Greybull	The First National Bank	Central/First National
Guernsey	Oregon Trail Bank	Central
Kemmerer	The First National Bank	United Bk./Denver
Lander	Central Bank & Trust	Central/United Bk./Denver
	The First National Bank	American National/Colorado Nat'l. and United Bk./Denver
Laramie	Bank of Laramie	First National
	The First National Bank	American Nat'l./United Bk./Denver/First National

Town	Bank	Denver Correspondent
	University National Bank	Central/Colorado Nat'l.
Lovell	The First National Bank	First National
Lusk	Stockmans National Bank	Colorado National
Newcastle	First State Bank	Central
	National Bk. of Newcastle	Colorado National
Pinedale	First National Bank	Colorado National
Powell	American National Bank	Colorado Nat'l./United Bk./Denver
	The First National Bank	First National
Rawlins	The First National Bank	United Bk./Denver/First National
	The Rawlins National Bank	Colorado National/ Central
Riverton	American National Bank	First National/Central/ and Colorado National
	The First National Bank	American National/ United Bk./Denver/
Rock Springs	North Side State Bank	United Bk./Denver/ First National
	Rock Springs National Bank	
Sheridan	Bank of Commerce	First National
	The First National Bank	Colorado Nat'l./First National
Sundance	Sundance State Bank	Central
Torrington	The Citizens National Bank	First National
	First National Bank	First National/Colorado National
Upton	Union State Bank	Central
Wheatland	First National Bank	First National/Colorado National
	StockGrowers Bank	Central/American National
Worland	First National Bank	First National/Colorado National

Source: Polks World Bank Directory, March, 1971 Edition Records of First National

DX-68

STATE BANK OF GREELEY COLORADO

8th Avenue at 9th Street Greeley, Colorado 80631
352-7080

February 16, 1970

Mr. Robert Gilbert, President
First National Bank of Greeley
Greeley, Colorado 80631

Dear Mr. Gilbert:

This letter is in response to your inquiry seeking our candid opinion of the competitive effects our bank and the Greeley community may experience if The First National Bank of Greeley becomes affiliated with the First National Bancorporation, Inc., a registered bank holding company of Denver, Colorado.

Assuming the application for prior approval is approved by the Federal Reserve Board, we do not feel that our bank would be affected in any material way. While competition for deposits does exist, such is severely limited by the regulated interest rates which banks are allowed to pay.

We all are aware of the relative shortage of loanable funds available in the Greeley area at the present time, which unless corrected, will prove detrimental to the anticipated growth of Weld County. It is expected that this problem may be alleviated by the two holding companies currently operating here; however, we feel that the community would benefit if the acquisition were permitted because of the increased competition.

We are very much opposed to a de novo bank commencing business in Weld County at the present time. Despite the projected population growth, the present banks can satisfactorily accommodate the needs of the community for the foreseeable future. A de novo bank does not bring in new deposits, but instead draws funds from other banks.

All in all, we are convinced that your proposed affiliation is beneficial to the community because of the pro-competitive aspects and our bank would profit because we would still be the only privately owned commercial bank in the Greeley area.

Yours truly,
/s/ N. J. Chamberlin
N. J. CHAMBERLIN
President

NJC:vb

DX-69

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil No. C-2413

UNITED STATES OF AMERICA, *Plaintiff*, vs. FIRST NATIONAL BANCORPORATION, INC., AND THE FIRST NATIONAL BANK OF GREELEY, *Defendants.*	DEPOSITION OF EUGENE H. ADAMS (Taken by Plaintiff)

PURSUANT TO NOTICE, the deposition of EUGENE H. ADAMS, called for examination by the plaintiff herein, was taken at the Trust Department Conference Room, First National Bank of Denver, in the City and County of Denver, State of Colorado, beginning at the hour of 10.45 o'clock in the forenoon of the 23rd day of November, 1970, before Bertram Naster, a Certified Shorthand Reporter and Notary Public in and for the State of Colorado;

The plaintiff appearing by its attorneys, Mr. Herbert G. Schoepke, Mr. Eugene V. Lipkowitz, and Mr. Kevin D. Brenan, Attorneys, United States Department of Justice;

And the defendant First National Bancorporation appearing by its attorneys, Hughes & Dorsey, by Mr. Edward B. Close, of Denver, Colorado, and Metzger, Schwarz & McKenna, by Mr. Eugene J. Metzger, of Washington, D.C.

WHEREUPON, the following proceedings were had:

EUGENE H. ADAMS,

called for examination by the plaintiff herein, being first duly sworn, testified as follows:

EXAMINATION

BY MR. SCHOEPKE:

Q. Would you state your name for the record, sir, please.
A. Eugene H. Adams.
Q. Where do you reside, Mr. Adams?
A. Actual address?
Q. Yes.
A. 1201 Williams Street, Denver.

Q. And your present occupation?

A. Banking.

Q. What bank?

A. President, First National Bank of Denver.

Q. How long have you been President of First National Bank?

A. Since October of 1951.

Q. '51?

A. No, I'm sorry, '61—I beg your pardon, '61.

Q. Could you trace very briefly your career in banking from the time you first entered the field.

A. I started with the International Trust Company in September of 1934, which was the fall after I graduated from college, so I have never been in anything but banking.

In 1939, I became a junior officer of that bank. In 1944, I became a senior officer and a director. I was still in the Trust Department, which is where I started.

In April of 1951, I became President of the bank, and I continued in that capacity until it was merged with the First National Bank of Denver in August of 1958, at which time I became Executive Vice President of this bank. And then I became President in October of '61, when Mr. Evans moved up to Honorary Chairman of the Board, and I have been President ever since—up till now, anyway.

Q. Mr. Adams, I would like, if I may, to direct your attention to the defendant's answer to Interrogatory 30, which was served by the plaintiff in this case. At the beginning of the answer that is concerned with you, your name is there and the second sentence of the answer reads as follows: "Since August 23, 1963, when the first of a series of applications was filed, Mr. Adams has been in an executive capacity and as such was a member of the group which made the final decision to proceed in each instance."

I wonder if you would tell us, with respect to the organization of the First National Bank of Northglenn, how it came about when the decision was made to organize that bank.

A. Well, I assume—that is the date when the application for a charter at Northglenn was filed, and at that time the Northglenn Shopping Center and Northglenn residential area had become a substantial area in population and in importance in northwestern Denver, and we determined at that time that we would apply for a charter for an affiliate

bank out there, with the Comptroller of the Currency, and offer the stock along the line to our own stockholders to make it, of course, a legal affiliate. And the chips fit in place as we went along with that one, and then I think in November that bank actually was granted the charter, and it started in November in a little bitty house out there. And then it was followed by the—Bear Valley was second, and then Southglenn bank was the third of the affiliate banks for which we applied for charters.

Q. Well, how did it come about that you applied for a charter for the Bear Valley bank?

A. Well, remember, there was no bank in Northglenn when we applied, there was no bank in Bear Valley when we applied, there was no bank in Southglenn when we applied, and there were no banks within two or three miles, I think, of any of the three of them. They were rapidly growing suburban areas of Denver into which we wanted to extend our services, and this was the vehicle which we adapted to extending those services.

Q. So that your last answer is generally applicable to all four of the affiliates which you organized about that time?

A. Well, three.

Q. Three?

A. Three. We only have four units altogether at the moment.

Q. Now, did you participate in any way in the determination to organize a holding company?

A. Yes.

Q. And what was your function with respect to that matter?

A. Well, as President of this bank and a member of the Board, I was one of the group who made the decision to form a holding company, and when it was formed, as I am sure you know, I became President until the summer of 1969, I believe it was, when Mr. Alexander was named President.

Q. When was the question of organizing a holding company first discussed, to the extent, of course, that you were engaged in its discussion?

A. Well, I'd have to—I can't remember a specific date, Mr. Schoepke, but I have to hark back there to probably the time when the Denver U.S. National made its decision

to apply or to try and form a holding company, and that obviously would have focused our attention immediately on the question, because they are and have been our chief competitor for ever since our two banks were merged in 1958.

You remember that the Western Bancorporation has been here in Colorado since 1956, but cannot go any farther because we have no specific state law permitting them to do so. We also had the First Colorado Bancshares, which is the socalled Carney-Weckbaugh group of four banks in the Denver area, which has been in existence for ten years, I guess—just guessing at that.

But when the Denver U.S. decided to form a holding company—I don't remember exactly when this was, about late 1963 or 1964, somewhere in there—we obviously had to give it immediate consideration, beginning at that time, as to what we were going to do.

Q. Mr. Adams, I would like to direct your attention to Interrogatory Answer No. 32, which is concerned with the Greeley application, and Section B of the answer, the first sentence, reads as follows: "The initial discussion was instigated by Mr. Robert Gilbert, who called Mr. Eugene H. Adams, President of the First National Bank of Denver, to determine whether or not Bancorporation would have an interest in acquiring 80 per cent or more of the outstanding shares of the First National Bank of Greeley."

I wondered if you could tell us, to the best of your recollection, what took place at this initial contact, and to the extent you can recall, what Mr. Gilbert said to you and what you said to Mr. Gilbert.

A. Well, Mr. Schoepke, I respectfully suggest that the answer here is the gist of the conversation. It wasn't very long. He simply asked me, as indicated here, if we would have an interest in acquiring their bank for the holding company, and I said, "Well, I would like to discuss this with my associates, but I think probably we would."

And after talking to my associates, we concluded we very definitely would, and then from that point on Mr. Alexander, aided by Mr. Close, became our negotiators, with Mr. Gilbert and Mr. Eaton and the rest of them up there.

Q. It is indicated in the second sentence of this answer, and you have also alluded to it just now, that after you had your first discussion with Mr. Gilbert—or vice versa,

however you prefer to put it—that there was a discussion amongst officers of the Bancorporation about Mr. Gilbert's contact with you. Now, among what officers was the matter then discussed with you, by you?

A. Well, certainly with Mr. Alexander, with Mr. Close, with Mr. Dorsey. I don't recall exactly, but I'm sure that the four of us were parties to the decision.

Q. Was this discussion just one discussion, or was it a series of discussions?

A. Well, I can't recall specifically whether there was more than one or not. I don't think, as a practical matter, that a decision like this would necessarily take a series of discussions. We either wanted to talk to the bank at Greeley or we didn't. I mean, I think it is almost as simple as that.

Q. Well, now, with respect to this discussion, could you tell us why it was that the officers of Bancorporation were interested in conducting further discussions with Mr. Gilbert?

A. Well, you mean why did we want to be in the Greeley area?

Q. Well, if you'd like to answer it in that way, that's fine.

A. Let me answer it this way. Obviously, we want to be in the Greeley area. The Weld County Bank at that time was gone to the United Banks of Colorado. The Greeley National Bank, which is the largest bank in Greeley, was probably out of consideration because of its size.

The First National Bank of Greeley had been an extremely old correspondent of ours, although we were not at the time a major Denver correspondent with First National Bank of Greeley. And we were very anxious, as I say, to get into the Greeley area, because it is one of the best towns in northern Colorado, and has been for many, many, many years a great agricultural area, and a fine area. And we would very much like to have a unit up there in Greeley.

Q. Now, could you tell us, if you know, whether there was any investigation of the convenience and needs of the City of Greeley for the services or the presence of your holding company in Greeley, prior to the negotiations that were conducted with Mr. Gilbert?

A. Do you mean by us or by anyone?

Q. By you. And here again, I have to tie it to your knowledge.

A. Well, we have been in the Greeley area as a correspondent bank for a long time, we know the Greeley area very well, we like the Greeley area very well, and we wanted to be in there personally, let's say, rather than through a correspondent relationship, because it is one of the growth areas of Colorado and we'd like to be in it.

(Recess.)

Q. Mr. Adams, did I understand you correctly a moment ago that you said that Greeley National was out because of its size, as a possibility for acquisition?

A. Well, let me restate that, if I may. It was the largest bank, and as the largest bank in Greeley, I think at the time was the largest bank in northern Colorado. It had at least one legal affiliate of its own at that time, or even two. Were there two? Anyway, it was a very independent type of bank and a very well-run, very well-managed bank, and considering its size and its management and the fact that it has two legal affiliates, there just wasn't any point in pursuing it at all.

And you don't like us to seek the first bank in any community anyway, I understand; and we wouldn't, under normal circumstances—we would not do it.

Q. Well, do I understand that you felt that you might not be able to get Federal Reserve Board approval?

A. Right.

Q. Of such an acquisition?

A. Right. And the Justice Department, too. There were special circumstances in Pueblo, as I think you well know.

Q. Well, perhaps you have a unique sense—that was the import of a note that was handed me: Why, then, did you try to buy the First National Bank of Pueblo?

I think the question is moot, we don't have to pursue it, unless you would like to add something.

A. Well, it was forced upon us, so to speak, by a group of very large stockholders.

Q. In what way was it?

A. Tied it together with the Exchange National Bank in Colorado Springs—Mr. Farrar's influence with the rest of the Farrar group, Farrar-Thatcher group. And it was kind of a package deal. And if we had had a free decision to make in regard to Pueblo, we would not have sought to acquire it.

Q. Well, do I understand you correctly, then, that for

you to acquire the bank that you applied for in Colorado Springs, it was necessary because of Mr. Farrar's influence that you also acquire at the same time the Pueblo bank? Is that correct?

A. That's correct. And he tied a further condition to it at first, which he rescinded later because we refused to concur in it, that if the Board should turn down Pueblo, we would then have to give up Exchange. And we said, "We will not agree to any such condition."

Q. Well, now, did you ever have any discussion with Mr. Farrar about the other bank that he had in Colorado Springs?

A. Yes, but it was not available. He has personal involvement in Exchange and Pueblo, and for reasons of his own, perhaps due to his own debt situation, he was not willing to consider the Colorado Commercial at that time.

Q. Is that the third bank that he holds in Colorado Springs, or the second bank?

A. Well, it is the second. He has a new charter of the Citadel State Bank out in the new shopping center. But that was the second.

Q. Did you discuss with him at all the possibility of acquiring that new bank for which he has a charter, or was that not in existence at the time?

A. No. It wasn't in existence. It has just recently been chartered.

Q. Did you have any discussion with him concerning the acquisition of the Commercial Bank alone?

A. Some, but as I say, he was not willing to go any farther with it.

Q. Could you tell us how it came about that the holding company first came to the point of giving consideration to acquiring a bank in Colorado Springs?

A. Well, I think the answer to that one, Mr. Schoepke, must be obvious. Colorado Springs is the number one growth area of the State of Colorado, and is obviously an area in which we would like to participate. It is growing extremely fast. The population has, I think, doubled in the last ten years. And we would very much like to have a unit there.

Q. We have noted recently in the newspapers, and also discussed in prior depositions, that First National Bancorporation has reached an understanding with the Na-

tional State Bank of Boulder, and to the extent that that has reached your level, could you tell us how it came about that First National Bancorporation determined to seek the National State Bank in Boulder?

A. The bank up there, I believe, in the person of a man named Don Culver, sought us out, specifically Mr. Alexander in this case.

I assume you know the background of the ownership of the bank—the Parsons group in Detroit. And they have been forced to divest themselves, I think, of several of their banks, because of financial problems within the partnership and within the banks themselves. And when Mr. Culver asked us if we were interested, we indicated we were, as a specialized situation.

Q. Now, when was this communication made by Mr. Culver? Was that after the Parsons group was in control of the bank?

A. Oh, yes, yes. This was—I don't remember exactly. Mr. Alexander probably would, but this was probably four months ago, three months ago, relatively recently.

Q. Well, just to refresh your recollection, there were discussions with the National State Bank in Boulder prior to the acquisition of control by the Parsons group, were there not?

A. Well, that's right. When Mr. Chuck Sayre was the President of the bank, which was for many, many years prior to the acquisition by the Parsons group, there were some discussions with him as to whether or not he and his other owners would be interested, and it was purely a coincidence, I think, but at that time Mr. Culver and the Parsons group made a tender offer for the bank and took it away from Mr. Sayre and his associates.

(Pause.)

Well, as Gene prompts me, he—or Mr. Sayre did inquire of us whether or not we would be interested, and he apparently had knowledge that somebody was going to be after his bank.

Q. Well, did you express to Mr. Sayre, did you indicate to Mr. Sayre that you did have an interest?

A. We indicated to him that we did have some interest in it, that we would consider it very seriously. But before anything, any kind of a decision could have been made by

us, bingo—it was gone. He no longer owned it, and he was out.

Q. Well, could you tell us why you had an interest in acquiring the bank when Mr. Sayre first approached you?

A. Well, here again, Boulder is the second fastest growing area in Colorado, and here again, we would obviously very much like to be in the Boulder area. This is the number two bank in Boulder, but the difference in size between the number two and the number three bank is not really very significant. Here is a bank, if you please—it was a very old one, it was chartered, I think, in 1874. But for many, many, many years, till the time of the acquisition by the Parsons group, it had been a sleepy old country town bank, it wasn't aggressive at all. Mr. Sayre was a fine banker; the condition of the bank was wonderful, if you consider liquidity as the only important factor in the operation of a bank.

It hadn't grown hardly at all in the last two decades, while the Mercantile and the First National Bank of Boulder, particularly, have just gone up to beat the dickens in growth. It was, oh, kind of a family type bank, just standing still, asking for somebody like Parsons to snap it up, obviously, and that is what happened to it.

But if we could have made a deal with Mr. Sayre, or if we can get the approval of the Federal Reserve Board and, by your grace, your non-intervention, we think we can inject some real competition in the Boulder area.

And in that connection, I wonder if I might make a general statement here?

Q. Would you like to make it off the record or on the record?

A. No, just as soon have it on the record—in regard to competition.

The Justice Department is anxious to have competition in every area in the United States. You think that the de novo route is the best route to do it by. We don't happen to agree. And I'd like to say this, that if we can get into the Greeley area, if we can get into Colorado Springs, if we can get into Boulder, if we can get into other areas of Colorado that are growing, or some that may not be growing so much, that need development, we will show you competition like you have never seen before.

If we can compete in Greeley with the United Banks of Colorado and the A.B.C. group, there will be competi-

tion; I'll guarantee you there will be a hell of a lot of it that is not there now, and has not been there in the past. We cannot do it with a de novo bank, for probably twenty years. It just isn't in the cards.

End of speech.

Q. Might I just ask you briefly about the Sterling acquisition for which you have an application pending before—no, that has been approved, hasn't it?

A. Yes, it has.

MR. METZGER: Four to one, no dissent.

Q. (By Mr. Schoepke) Could you tell us how it came about that the Bancorporation became interested in acquiring the bank in Sterling?

A. Well, here again is an old correspondent bank that was founded by Mr. Ray Towne, who was the father-in-law of Ted Brown, our president Executive Vice President. It is a fine bank in northern Colorado, as I think you know.

And I can recall this one because Ted Brown has been on the Denver Branch Board of the Fed—this is his fifth or sixth year, I think, and at the time we first discussed this I was on the Federal Reserve Board in Kansas City, and about three time a year he would go back to Kansas City with me to attend meetings, because the Denver Board members attend Kansas City in rotation. And we were on a private airplane, Public Service Company of Colorado airplane, this time, when we first discussed the question of whether or not the Security State Bank of Sterling might become a member of the First National Bancorporation.

But that was—I don't recall the exact date—back in '67 some time, I think, and it was purely a preliminary conversation at the time, with no decision at all, on either part.

Q. Well, now, you did reach an agreement to acquire the bank at Sterling. Could you tell us why First National Bancorporation is interested in acquiring an affiliate in Sterling.

A. Well, because, number one, Sterling again is—not a dynamic growth area of the state, but it is in a growing area, it is in a fine agricultural area of the state.

When Mr. Brown came to the First National Bank of Denver as Executive Vice President—and this was not a deal, I want to make that absolutely clear, that his coming

here as Executive Vice President was not contingent upon his and his brother-in-lay's selling us that bank, there was no connection whatsoever about that. We needed him in the bank here. He is an outstanding banker in this state, recognized nationally, and we wanted him for himself.

But after he came here, it became a matter of more interest to us and to him to see if there is a way to put Security State into the holding company.

Q. Did you give consideration to acquiring any other banks beside Mr. Brown's bank in Sterling?

A. No, no, I don't think so. After he came here, there would obviously have been no reason to consider any other bank, because that would make some kind of a conflict; it would have been insoluble.

Q. But you were aware, were you not, that this was about the largest bank in Sterling?

A. Oh, yes, I am aware of the figures all right.

MR. SCHOEPKE: I don't think we have any further questions.

MR. METZGER: We stand adjourned sine die.

MR. SCHOEPKE: We continue this deposition to an indefinite future date.

MR. METZGER: And the defense does not agree to that

THE WITNESS: Does that mean——

MR. METZGER: Mr. Schoepke is preserving his options, as we are denying that he has them.

_____
(Signature of Witness)

Subscribed and sworn to before me
this ..... day of ....., 19...
My Commission expires .....

_____
Notary Public

CERTIFICATE

State of Colorado
City and County of Denver } ss.

I, Bertram Naster, Notary Public and Certified Shorthand Reporter, State of Colorado, duly commissioned to administer oaths, do hereby certify that previous to the commencement of the examination of the said EUGENE H. ADAMS, said witness was duly sworn by me to testify the truth, the whole truth, and nothing but the truth, and was thereupon interrogated as set forth in the foregoing deposition;

That the said deposition was taken in machine shorthand by me at the time and place aforesaid and was reduced to typewriting under my supervision;

That the foregoing is a true transcript of the questions asked, the testimony given, and the proceedings had;

That I am not attorney or counsel, or in any way connected with any attorney or counsel, for any of the parties to said action, or otherwise interested in its event.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal this .... day of ....., 19...

My Commission expires June 9, 1974.

BERTRAM NASTER,
Notary Public

DX-70

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. C-2413

UNITED STATES OF AMERICA,
Plaintiff,

vs.

FIRST NATIONAL BANCORPORATION, INC. AND THE FIRST NATIONAL BANK OF GREELEY,
Defendants.

DEPOSITION OF BRUCE D. ALEXANDER

PURSUANT TO NOTICE AND THE FEDERAL RULES OF CIVIL PROCEDURE, the deposition of BRUCE D. ALEXANDER, president of the defendant First National Bancorporation, was taken by the plaintiff at 9:00 a.m. on Wednesday, November 18, 1970, in the Trust Department conference room of the First National Bank Building, Denver, Colorado, before Thomas T. Tomko, Notary Public and Certified Shorthand Reporter, State of Colorado.

The Plaintiff appeared by HERBERT G. SCHOEPKE, KEVIN D. BRENAN and EUGENE V. LIPKOWITZ, Attorneys, Department of Justice, Anti-Trust Division, Washington, D. C.

The Defendants appeared by EUGENE J. METZGER and CARL W. SCHWARZ of Metzger, Schwarz & McKenna, Attorneys at Law, One Farragut Square South, Washington, D. C.

Also present, Robert M. Gilbert.

* * *

PROCEEDINGS

MR. SCHOEPKE: I assume you want to have the witness read the transcript.

MR. METZGER: We would like an opportunity to correct the transcript.

MR. SCHOEPKE: I would just as soon have the witness attach his affidavit.

BRUCE D. ALEXANDER,

the deponent herein, called by the plaintiff, having been first duly sworn, was examined and testified as follows:

CROSS-EXAMINATION

BY MR. SCHOEPKE:

Q. Would you state your name for the record, please.
A. Bruce D. Alexander.
Q. Where do you reside, Mr. Alexander?
A. 290 Dexter Street, Denver, Colorado.
Q. What is your present employment?
A. President of the First National Bancorporation.
Q. Is that the same organization that is the defendant in the matter concerning which we are now holding this deposition?
A. Yes.
Q. Now, Mr. Alexander, the plaintiff in this matter served on the defendants a set of interrogatories. And I direct your attention to Interrogatory 30, the Answer to which was prepared by you according to a note at the bottom of that Interrogatory. I note from the Interrogatory that prior to your association with the bank holding company you were with First National Bank of Denver in two capacities that are listed here: head of the correspondent bank department and also head of the commercial loan department.

I wonder if you would give us a little more of your background from the time you entered college and went out into the world.

A. First of all, I was never head of the correspondent bank department.

I went to Williams College in Williamstown, Massachusetts in 1941. In 1942 I went into the United States Army Air Force, from 1942 to 1945, at which time I joined the United States National Bank of Denver where I worked for four years, leaving there in 1949.

During the time I was with the United States National Bank I primarily worked in the loan department and the credit department. Then I went to work for the First National Bank of Denver as assistant cashier in the business development department for several years. Then I entered the correspondent bank department of the First National Bank in Denver in about 1951 or '52. I remained there until 1967, at which time I was assigned to the president of the bank on special duty to form the First National Bancorporation.

Upon completion of the application to form that holding company, I was assigned as the senior loan officer of the First National Bank of Denver, which position I held until September of 1969, when I was elected president of the Bancorporation and assumed that job on a full-time basis.

Q. Directing your attention again, Mr. Alexander, to the Answer to the Interrogatory that I referred to a moment ago, there is in this Answer the following statement that I will just direct your attention to: "Mr. Alexander is now president of the First National Bancorporation, Inc. and was active in the formation of the First National Banks of Northglenn, Bear Valley and Southglenn."

I would just like to ask you how did it come about that the First National Bank of Northglenn was organized?

A. The principal developer of the Northglenn Shopping Center was a good customer of the First National Bank of Denver and had been financed by that bank for some time. When he started making plans to build a shopping center, he had reserved space for a bank in that area. He asked our group whether we would be interested in either organizing the bank with him or on our own account for that particular area. We reviewed the situation and decided that it was a good business investment and organized the bank on an affiliate basis. This was strictly an investment, and stock in the new bank was offered share for share to the shareholders of the First National Bank of Denver with the exception, I think, that 20 per cent of the bank shares were reserved to the organizers or developers of the shopping center. And there was no profit or no other remuneration given to the organizers in any way.

Q. Well, I was going to ask you—perhaps you have already answered it—but if there is anything to add, I wish you would. You said that you organized this bank on an affiliate basis. Would you tell us what you mean by "affiliate" in the sense you have used it?

A. Well, primarily because the stock of the bank was owned—well, at this point, 80 per cent of the stock of the bank was owned, share for share, with the shares of the First National Bank of Denver. Therefore, the people who controlled 51 per cent or more—50 per cent or more of the First National Bank of Denver then also owned 51 per cent or more of the First National Bank of Northglenn. There-

fore, the two banks were affiliated and could then have cross-officers and directors legally.

Q. Now, I believe you said a moment ago that when you considered this matter of organizing the bank in Northglenn you came to the conclusion that it would be a good business investment. Was that the term you used?

A. Yes.

Q. What led you to that conclusion?

A. Well, the developers, Perl-Mack Construction Company and the Perl-Mack group were very successful home builders, shopping center builders. The Northglenn area was obviously going to be a good development area in metropolitan Denver. The projection, as I remember it, was that some 40,000 people eventually would be living in that area. It justified the organization of a bank and it just seemed like a good business investment.

Q. You mentioned a projection. Could you tell us what if any other factors you considered in determining the economic prospects of this area?

A. Well, primarily it was the projected growth in the home building in that part of northern metropolitan Denver, plus the fact that there would be a regional shopping center in which a bank could be located. And so it was primarily the two things together. And in addition to that, of course, the First National Bank of Denver, like other major banks in non-branch banking states, had seen an exodus of their, you know, deposit customers going out of the downtown location. It was difficult for us to follow those customers to the suburbs and wherever they went. And we obviously were interested in trying in some way to follow our customers as they began to move out of the downtown bank.

Q. Would you say that the Northglenn area was an economic growth area?

A. Well, it was pretty much of a bedroom community as such. There was not an awful lot of industrial business in the Northglenn area at the time we started the bank out there. And up to the present time there hasn't been too much business out there with the exception of the tremendous regional shopping center.

Q. Now, that was the first affiliate that you organized, is that correct?

A. Yes.

Q. Now, if I'm not mistaken, the next affiliate that you organized was the Bear Valley Bank?

A. Yes.

Q. And I wonder if you would tell us how it came about that the Bear Valley Bank was organized.

A. Well, that was a little bit different than Northglenn. I think that was organized in about 1963. At that time one of the very good customers of the First National Bank of Denver, the Mortgage Investment Company, who were the principal developers of the Bear Valley Shopping Center and the Bear Valley residential area wanted to do the same thing as the Perl-Mack group did in Northglenn, that is, organize their own bank, or in this particular case, organize a bank in Bear Valley. They wanted to organize their own bank and run it themselves. They asked for our help. We spent a lot of time working on the income and expense projections of the bank, the growth of the area, and so forth, and helped them write the application for the First National Bank of Bear Valley. One of the directors of the Mortgage Investment Company also was a director of the First National Bank of Denver, Mr. Axel Nielson. Mr. Nielson had felt all along that his group was not qualified to run the bank or organize one, and that it would have been much better for that bank to be a second affiliate of the First National Bank of Denver rather than an independent bank.

As the application was in the process of preparation and the bank in organization, and prior to the time the application was actually filed with the Controller of the Currency, the decision was made by the then organizers of the Bear Valley Bank that they in fact felt that Mr. Nielson was correct and it would be better for that bank to be affiliated with the First of Denver.

We then revised the application and changed the organizers and filed the application as a second affiliate of First of Denver.

Q. And was that an affiliate in the same sense that you described in Northglenn, over 51 per cent of the stock was owned by——

A. Yes. I have forgotten the exact percentage, but I think it was somewhere around two-thirds to three-quarters of the stock was then offered, share for share, with the then shareholders of the First National Bank of Denver.

MR. METZGER: May I say for the record that this 51 per cent share-for-share relationship is a statutory one, defining what is an affiliate, and not the witness' own.

A. Correct.

Q. (By Mr. Schoepke) All right. Now, did you conduct any investigations of the Bear Valley area at the time a decision to organize it as an affiliate was made?

A. We didn't do it ourselves, but we took the surveys and all the information which the Mortgage Investment Company group had themselves. In other words, they were the major developers of that shopping center and also the Bear Valley residential area. So they had many statistics which were sufficient to justify, in our own mind, that it again was a good business decision.

Q. Was it a growth area?

A. Yes.

Q. Mr. Alexander, I would then like to direct your attention to the organization of the First National Bank of Southglenn which took place shortly thereafter. And I wonder if you would tell us how it came about that the Bank of Southglenn was organized.

A. That was a companion operation of the First National Bank of Northglenn, inasmuch as the developers of the Southglenn Shopping Center and the Southglenn residential area were the same Perl-Mack group, with the exception that the Perl-Mack group was not doing the majority of the home building in Southglenn. When they began construction of the Southglenn Shopping Center, they again reserved a place for the bank and asked us if we would organize a de novo bank in the same manner as we did in Northglenn. We agreed to do that and gave them 20 per cent of the shares and then offered the remaining 80 per cent of the shares, approximately, to the then stockholders of the First National Bank of Denver on a share-for-share basis.

Q. Did you conduct any economic studies of the Southglenn area?

A. Again, we used the construction information from the surveys which the Perl-Mack people had used. I think in that particular case we did use a Denver research institute who made a partial survey for us that we used in our application.

Q. Did you reach the conclusion that the Southglenn area was a growth area?

A. The Southglenn area had the potential of becoming a good growth area. It was not the same degree of growth area in any manner or means as Northglenn or Bear Valley was, as is evidenced by the slow growth that Southglenn had taken over the last three or four years. But generally speaking Denver was growing north, south, east and west, and in due time there was no question that Southglenn would be a growth area, which is now the case.

Q. In conducting or considering the characteristics of the Northglenn, Bear Valley and Southglenn areas, did you at any time take into consideration the number of people in the area that might be needed to support a new bank?

A. Yes.

Q. I take it since you went through with the organization, you did it on the basis of your conclusion that there were enough people to support a new bank in that area?

A. Yes.

Q. Are these three subsidiaries now making money?

A. Yes. Northglenn is a good, profitable bank. Bear Valley is a good, profitable bank. Southglenn is doing reasonably well. It's not making as much money as the other two at the present time.

Q. Just for the record, Mr. Alexander, I direct your attention to your Answer to Interrogatory 1, which indicates that the First National Bank of Northglenn opened for business on November 14th, 1963; the First National Bank of Bear Valley opened for business on June 15th, 1964; and the First National Bank of Southglenn opened for business on November 30, 1964. Now, I would like to ask you now how did it come about that the First National Bancorporation of which you are president was organized?

A. (Consulting with counsel) Going back to some time in the 1950's—and I'm not sure what the dates are. If you want them I can get them for you—because of the exodus that I spoke of a short time ago of the personal accounts from the big downtown Denver banks into the suburbs and the inability of the banks like the First National Bank of Denver to follow their customers to the suburbs as the cities grew, management of the First of Denver had taken the position that branch banking could be a valuable asset to the growth of the State of Colorado and be in the best

interest of banking and people in the community. Management again of the First National made an effort to try to get the state law changed permitting either limited branch banking in the metropolitan areas or eventually preferably state-wide controlled branch banking.

In two particular instances the matter was referred to the Colorado Banker's Association convention. And in one case a study was made of branch banking. And in both cases the end result was that the law was not changed and the matter remained as it was in Colorado, a unit-banking state with no branching permitted.

Concurrently at that time, in 1958 and '59, in that area, Western Bancorporation bought three Colorado banks and Denver U. S. Bancorporation was formed and began acquiring banks throughout Colorado. And in 1967, because of this trend and because of our desire still to expand and to do a better job, both profit-wise and also banking-wise, and to follow our customers, we also made the decision then to form a registered bank holding company. That decision was made in May of 1967.

Q. Now, you mentioned that Denver U. S. was formed. Do you recall when it was that Denver U. S. Bancorporation was formed? You said 1958 or '59.

A. Somewhere between '58 and '62, '63, somewhere in there.

Q. Well, it is correct, is it not, that Denver U. S. was in existence, the holding company, at the time that you organized these three affiliates or some of them?

A. Yes, because they did in '63, and we started these two banks in '63, correct.

Q. Well, I'm wondering why you had any reason, with the existence of Western Bancorporation that you said moved in to the state in '58 or '59, and then with the existence of Denver U. S. Holding Company, to use the affiliate method of organizing Northglenn, Southglenn and Bear Valley Banks.

A. You mean rather than forming our own holding company?

Q. Yes.

A. (Consulting with counsel) A lot of that, I think, relates back to our original preference for branch banking, which was our first choice. The second area that we went into was this affiliate banking, which was an easier method

to do it by at that particular time under the reluctance of some of our management to have a bank-holding company. So it was a revolutionary situation where we were still hoping that eventually we could have a branch-banking system. And then after we had the three affiliate banks in operation, we came to the conclusion that it was an inefficient way to run three banks, and from a structure point of view, that the registered bank holding company was a much better vehicle.

Q. You mentioned just a moment ago—and if I haven't quoted you quite correctly, please straighten me out—that you felt that organizing these by the affiliate method was easier than by the holding-company method. Could you explain in what way you thought it was easier?

A. (Consulting with counsel) Well, if we owned them as an affiliate bank, it's easier to turn them into a branch rather than if we had a registered bank-holding company, for one thing. And secondly, again, the formation of a registered bank-holding company was expensive. And it was a major reorganization obviously of all the stock and stockholders. And it was just something that we took a long time coming to that conclusion.

Q. Well, would you tell me, from the banking point of view, why it would be easier to convert affiliates of a bank to branches than it would be to convert subsidiaries of the holding company branch?

Mr. Metzger: No one has said anything to justify the question.

Are you finished with the question?

Mr. Schoepke: Yes.

I might say for the record that I don't object to some coaching of the witness, but I think, Mr. Metzger, the right of cross-examination is open to you, and I think perhaps we ought to keep this down a little bit, more than we are. And I prefer to let the witness answer the questions. If you wish to clarify points, you have the right to do it later.

Mr. Metzger: Thank you for your advice, sir.

The Deponent: I think, really, simply what we went through was a revolutionary process. And the affiliate system then initially looked like it was an easy way to own three banks with our present stockholders, and if we had branch banking in the offing, we could just simply convert them into the First of Denver and let it go at that. The

formation of the registered bank-holding company, which is a—I've forgotten now—but I think the estimated cost of that formation was several hundred thousand dollars, created a whole new organization structure which was subject to different regulatory authorities and subject to the Securities and Exchange Commission and created a new level of management, and it was going in a direction different than what our preference was. It was contrary to our preference. So to a degree, we were reluctant to go that way.

Q. Now, at the time that you were advocating branch-bank legislation, did your bank have any plans, if branch-bank legislation was passed, did your bank have any plans or contemplate any movement outside of the Denver area?

A. We had no specific plans insofar as branching outside the Denver metropolitan area, but it certainly was our intention to do so, depending upon what the legislation might have been.

Q. Had you formulated any plans as to whether you would proceed by acquiring other banks or by organizing new branches?

A. We had not gotten that far.

Q. Mr. Alexander, I would like to direct your attention to Defendants' Answers to Plaintiff's Interrogatory No. 34. And I think just while we're off here, we might, in the interest of simplicity for correcting the record, straighten one thing out. I think it's fairly obvious that the Answer to Interrogatory 34—I wonder if you would just read the first five lines of this answer. Here's a copy of it, if you want it.

A. "The officers and directors of First National Bank of Denver were responsible for the de novo organization of the other three subsidiaries of Bancorporation—the equivalent is a non-branching state of suburban branches of the First National Bank of Denver. (See Answers to Interrogatory 30 for names and description of participants.)"

Mr. Schoepke: My suggestion is, on the third line, "the equivalent," I think should be "in," a typographical error. Can we, for the record, all agree that the third line would read, "the equivalent in a non-branching state of suburban branches," et cetera? Is that satisfactory with counsel to make that correction?

MR. METZGER: Yes.

Q. (By Mr. Schoepke) Now, Interrogatory 34 is concerned with, as you note, discussions among officers, directors or employees of Bancorporation with regard to the formation of a de novo bank to be controlled by Bancorporation.

Now, in the Answer to that, the second paragraph reads, "The acquisition and conversion of an industrial bank (in some ways a more difficult and expensive proposition than de novo charter) is being pursued in another community."

I wonder if you could tell us what organization community you have reference to.

A. (Consulting with counsel) Can I ask a question off the record?

MR. SCHOEPKE: Yes. Sure.

(Discussion off the record.)

MR. SCHOEPKE: Back on the record.

Referring to the second paragraph on the second page concerning an industrial bank to which the acquisition of which is, according to the wording of that paragraph, "under some consideration," would you identify the branch to which you had reference?

MR. METZGER: Off the record.

(Discussion off the record.)

MR. SCHOEPKE: Back on the record.

If I may lead the witness a little, Mr. Metzger.

Mr. Alexander, with reference to the second paragraph on the second page, is my understanding correct that the discussion concerning an industrial bank is very much at the moment in the preliminary stages?

A. Yes.

Q. Now, on that basis, Mr. Alexander, the Interrogatories are continuing in nature, and to the extent that this situation changes, you understand, and your counsel so advised you, that up to the time of trial, supplemental answers have to be provided. So that can we leave that particular paragraph on that basis?

MR. METZGER: As to the supplementing of any Answers to Interrogatories, we will of course comply with the Federal Rules of Civil Procedure on that.

THE DEPONENT: Yes.

Q. (By Mr. Schoepke) Now, referring also, Mr. Alexander, to Interrogatory No. 34, the second page, first paragraph, "With the recent decision of the Bancorporation to become a state-wide organization, the opportunities for further de novo 'branching' will be considerably broader."

Would you tell us what coverage you would consider necessary in order to constitute yourselves a state-wide organization?

A. I think we would like to have a bank in the major cities of the State of Colorado and in the northeast farming section of Colorado, the Arkansas Valley, portions of the western slope, especially those areas which are so highly devoted to the skiing and recreation areas and the mining areas. Generally those areas where the Bancorporation could serve the people in it and the industry of Colorado.

Q. Now, I gather from that first sentence of the first paragraph on the second page that you have not ruled out the possibility of de novo expansion in your overall plan.

A. No, we have not.

Q. In this respect, I notice in that same paragraph that reference is made to the fact—and I read—from the second sentence of that first paragraph on page two, "For example, attendant upon the acquisition of the First National Bank of Greeley, Bancorporation has obtained an option and is actively considering the establishment of a new suburban bank just outside Greeley."

I wonder, would you tell us something about that option, to whom it pertains?

A. The directors in an informal manner had an option to acquire one of two sites in the southern Greeley area which was adjacent to the large proposed shopping center.

May I ask Mr. Gilbert to mark it down, because—

Q. Well, we can ask him that. Do you know where that is located?

A. Yes.

Mr. Schoepke: Well, why don't we mark this as Deposition Exhibit No. 1.

(Alexander Deposition Exhibit No. 1 was marked for identification.)

Mr. Metzger: Can we be supplied a copy of that exhibit?

Mr. Schoepke: You bet.

Q. (By Mr. Schoepke) I have had marked for identification, Mr. Alexander, Deposition Exhibit No. 1 which is a map of Greeley, Colorado, published by the Shillings Map Company of Amarillo, Texas. It covers Greeley and the outlying section. It's distributed through the courtesy of the Greeley National Bank of Colorado and disseminated in other places by the Chamber of Commerce in Greeley, Colorado.

MR. METZGER: And having prominently located thereon one of the three banks with the Affiliated Bank Shares, the most substantial holding company in the State of Colorado in terms of bank subsidiaries.

MR. SCHOEPKE: Yes. And to add to the identification, on the upper right-hand corner of said map are located various other banks, including the First National Bank of Greeley, the bank sought to be acquired by Bancorporation.

Now, could you identify on this map, Mr. Alexander, where it is that the Banco—and for the purpose of simplicity, can we refer to your organization as Banco or would you prefer—

A. I prefer Bancorporation.

Q. Bancorporation?

A. I don't like Banco.

MR. METZGER: It sounds like we're playing an illegitimate form of Bingo.

Q. (By Mr. Schoepke) Could you locate where this option is to which you refer in Interrogatory Answer 34?

A. It is on the southeast corner of highway 34, the bypass, and 23rd Avenue.

Q. And from whom was this option obtained?

A. The option ran from the owner of the land to the Monroe Corporation and was assigned by Monroe Corporation to Bancorporation.

Q. Do you happen to know, are there any plans for development of this area?

A. A proposed shopping center east of the site marked there, which that site is a part of.

Q. Is this option in written form?

A. The option from the land owner to Monroe Corporation is in written form. The assignment to the Bancorporation has not yet been affected.

Q. Are you familiar with the Monroe Corporation?

A. Yes, sir. It's a wholly-owned subsidiary—or it's a wholly-owned corporation of Mr. Robert Gilbert, president of the First National Bank of Greeley.

MR. SCHOEPKE: Off the record.

(Discussion off the record.)

Q. (By Mr. Schoepke) Now, would you care to correct your answer?

A. The corporation and the stock is owned by Mr. Robert Gilbert and his wife.

MR. SCHOEPKE: I will tender Alexander Deposition Exhibit No. 1 in evidence.

I wonder if this would be a good time for a short break.

(Short recess)

Q. (By Mr. Schoepke) I have been meaning to ask you, Mr. Alexander, going back to this option, just what is the nature of the option.

A. The option generally provides that the Monroe Corporation can buy a certain tract of land adjacent to the shopping center, and that the Monroe Corporation would see to it that the bank was organized within a certain period of time. I think it's about within a year by—I think you have a copy of it—but within approximately a year a commercial bank would be started.

MR. SCHOEPKE: Off the record.

(Discussion off the record.)

Q. (By Mr. Schoepke) Well, the reason I'm asking you these questions, Mr. Alexander, is that the Interrogatory Answer states that arrangements have been made—this is the last portion of the first paragraph on page two—arrangements have been made for assignment of the option to First National Bank of Greeley should this acquisition be enjoined.

Now, just what is the status of this option? Does the First National Bancorporation have it, and if so, in what form?

A. The option provided that this was an informal agreement between the directors of the First National Bank of Greeley, as I understand it, with the Monroe Corporation, that should the directors decide to organize a bank and exercise the option, that they would do so. There is no

agreement, as I understand it, for the option to be exercised or for a bank to be organized. If we are successful in acquiring the First National Bank of Greeley, we felt it only proper that we take over that option which was in effect. And if we are not successful in acquiring the First National Bank of Greeley, we wanted to give back the option to the Monroe Corporation at their request.

Q. Well, now, what is the nature of this agreement between your organization and the Monroe Corporation?

A. At the moment the option has been sent to counsel for the Bancorporation with the request that assignment be drawn up transferring that option to us. We have a verbal agreement that we will reassign it to the Monroe Corporation if we are not successful in acquiring the First National Bank of Greeley.

Q. Now, directing your attention to Greeley, the First National Bank of Denver has, according to the application filed with the Federal Reserve Board, a loan production office in Greeley, is that correct?

A. Yes.

Q. I wonder if you would tell us what that loan production office does.

A. In the summer of 1968 the First National Bank of Denver acquired the mortgage-servicing rights of the Mortgage Investment Company. At that time the Mortgage Investment Company had a loan production office in Greeley which was, just as it implies, a small office, I think of two individuals and a girl who takes applications for real estate loans. And these applications now are sent to the First National Bank of Denver for review, approval, and then are returned to the loan production office. No loans are closed there. No money is disbursed there. It's strictly just an interview office.

Q. What kind of mortgages are handled in that office?

A. Generally mostly they're construction loans, long-term real estate loans generally made in that part of Greeley and Weld County.

Q. Does this office do any mortgage servicing in the sense of collecting payments?

A. No.

Q. It merely solicits business?

A. Yes, just a loan production office. It just solicits

business, and it has not been profitable. It has been our general intention to close it.

Q. And on whose behalf does it solicit?

A. First National Bank of Denver.

Q. And has that loan production office been in any way a part of the option, or the assignment of the option, of the Monroe Corporation that the Monroe Corporation has? Has that entered into the discussion at all?

A. None whatsoever. No connection.

Q. With the option?

A. No.

Q. would like to direct your attention, Mr. Alexander, to the negotiations preceding the Greeley agreement which led to the application to the Federal Reserve Board for First National Bancorporation to acquire the First National Bank of Greeley. In this respect, I will direct your attention to Interrogatory No. 32, your answer, paragraph B. The first sentence indicates that the initial discussions were instigated by Mr. Robert Gilbert, who called Mr. Eugene Adams, president of the First National Bank of Denver, to determine whether or not Bancorporation would have an interest in acquiring 80 per cent or more of the outstanding shares of the First National Bank of Greeley. And after discussions among the officers of Bancorporation, Mr. Adams called Mr. Gilbert, indicating that Bancorporation was interested in discussing the acquisition of the First National Bank of Greeley.

Now, I would like to ask you, were you in any way involved in the discussion among the officers of Bancorporation which is mentioned in this sentence of the answer that I just read.

A. Yes.

Q. And when did this matter first come to your attention?

A. Let's see. I guess it's February or March of 1969.

Q. Just to refresh your recollection, paragraph A indicates that all meetings were in March of 1969. How did this matter come to your attention?

A. Mr. Adams called me after he had talked to Mr. Gilbert and asked me what I thought of the phone call and whether I thought we should be interested in having further discussions with Mr. Gilbert.

Q. And did you have discussion with any other officers of the Bancorporation concerning the maps?

A. I think it was a matter of principal participants in the meeting where Mr. Adams and Mr. Dorsey, chairman of the board, and myself and Mr. Close, secretary of the Bancorporation.

Q. I notice from the Answer that after these discussions, you then returned a call to Mr. Gilbert.

At whose instructions did you make that call?

A. Actually at the consensus of the meeting of the officers of the Bancorporation.

Q. For what reason did the officers of the Bancorporation consider it desirable to continue discussions with Mr. Gilbert?

A. This was about the time we were in the process of discussing the expansion of the Bancorporation, how it should be done and on what basis. We generally felt that it seemed reasonable, initially, anyway, to try to acquire banks in the largest centers of Colorado and acquire banks that were more comparable to the First National Bank of Denver; in other words, commercial-type banks as opposed to retail-type banks. And this seemed to fit that pattern.

Q. Well, now, subsequent to that consensus of the officers who discussed the matter, you called Mr. Gilbert. And when you called Mr. Gilbert, could you tell us, to the best of your recollection, what you said to Mr. Gilbert and what Mr. Gilbert said to you?

A. I told him that I was pleased to have been told by Mr. Adams of his interest in discussing the acquisition of his bank by our Bancorporation; that we would like to set up a meeting and come to Greeley and discuss the matter with him further. As a result, we set a date, and Mr. Close and I then went and called on him.

Q. Now, when did the first meeting thereafter take place? A few days later?

A. I think all the meetings were held probably within a period of three weeks, so that the first meeting was shortly thereafter, three or four days.

Q. Well, at any of the meetings, did Mr. Gilbert indicate to you why he had approached you with regard to the possible acquisition of his bank by the First National Bancorporation?

A. Yes. He felt that it was in the best interest of his stockholders and shareholders, and in banking in Greeley,

that he join a holding company; that he felt that it would be difficult for him to take care of his community unless he was part of the Denver-based holding company; that there are many areas that he couldn't take care of in the convenience and needs of his own people without being part of a bigger organization; and that he had also had a relationship with the First National Bank of Denver. And I think it went back to 1880, something like that. And he wanted to discuss the matter with us.

Q. Did he indicate that his bank was in any financial difficulty?

A. No, he did not.

Q. Did he indicate whether or not he had given consideration in any way to affiliating with any other holding company beside the First National Bancorporation?

A. Yes. He told us that he had had preliminary discussion, I believe, with another Denver holding company.

Q. Did he tell you which one?

A. Colorado CNB Bankshares.

Q. Did he tell you why he had come to you?

A. Only that he wanted to make the best investigation that he could for the interest of his own shareholders and in Greeley itself.

Q. Now, when did First National Bancorporation and the First National Bank of Greeley reach a formal understanding concerning the acquisition by First National Bancorporation of the First National Bank in Greeley?

A. That was towards the end of March. I can pick out the exact date if you want it. But it was towards the end of March, 1969.

Q. Did you conduct any investigation of the Greeley area prior to that time?

A. No detailed investigation of the Greeley area, other than the fact that I personally had been very knowledgeable of Greeley for the last ten years because of my association with the correspondent bank with the First of Denver. I had spent much time in Greeley. I was knowledgeable with the banking situation there and of the Greeley situation, Weld County in particular, and the advent of Eastman-Kodak coming in the area, and just general knowledge.

Q. Well, in terms of the economy of the area, were you familiar with whether or not it was a growth area or

stagnant area, or what was your knowledge concerning the economy of the Greeley area?

A. Weld County is—my knowledge of the area of Weld County itself, which is one of the most productive agricultural areas in the state. It's one of the better counties, one of the larger cattle-feeding areas. Greeley is the county seat of Weld County. And generally the northern part of Colorado has been experiencing overall growth.

Q. Was that one of the factors that induced you to look favorably upon the acquisition of the First National Bank of Greeley?

A. Yes, plus the fact that we wanted to be represented in northern Colorado, and Greeley, as I mentioned before, in the larger cities with a bank that was comparable to the First of Denver.

MR. SCHOEPKE: Off the record.

(Discussion off the record.)

Q. (By Mr. Schoepke) Mr. Alexander, in connection with your express desire which you just noted, to be represented in Weld County, the northern part of Colorado, have you given consideration to acquiring any other banks in the Greeley area?

A. What do you mean by "the Greeley area"?

Q. For the purpose of my question, when I refer to the Greeley area, I refer to the City of Greeley and surrounding communities listed in the Complaint. Do you have a copy of the Complaint handy?

MR. METZGER: Yes, I do.

Q. (By Mr. Schoepke) For that purpose, that's in paragraph ten of the Complaint, where it defines the Greeley area as including Greeley and the towns of Evans, LaSalle, Peckham, Pierce, Gill, Eaton, Lucerne, Farmers and Bracewell?

A. No, we did not discuss or consider application for banks in those areas.

Q. Did any banks in those areas ever approach you with the possibility of joining your holding company?

A. No, no.

Q. Did any other financial institutions from that area ever approach you with regard to joining your holding company?

A. No.

Q. Were there any other banks in Weld County whose acquisition you considered?

A. Yes. We gave consideration to the First National Bank of Windsor.

Q. In this respect, Mr. Alexander, you have covered this in some degree in your Answer to Plaintiff's Interrogatory No. 33, on the second page, in which you discussed the First National Bank of Windsor, and you state that during the month of December, 1968, and January, 1969, Bruce D. Alexander initiated discussions with Mr. Ashley, president of the First National Bank of Windsor, and that all discussions were held at the home of Mr. Ashley in Windsor or in his offices in the bank at Windsor.

Now, I would especially direct your attention to the next sentence, "Mr. Alexander's initial visit with Mr. Ashley was preceded by a direct inquiry to Mr. Ashley from Royce B. Clark as vice-president of the First National Bank of Denver in the Correspondent Bank Department as to whether Mr. Ashley would be interested in holding discussions regarding acquisition of his bank by Bancorporation."

Could you tell us, Mr. Alexander, how it happened that an inquiry was made by Mr. Royce B. Clark?

A. I asked Royce Clark to make the inquiry on behalf of the Bancorporation.

Q. And was this something that you did on your own, or had you had discussions within Bancorporation with respect to the possibility of acquiring the Bank of Windsor?

A. Well, generally everything I did prior to the time I assumed my present position was done with the approval of the president of the holding company and the chairman of the board.

Q. But at the time of this initial inquiry, the subject had already been discussed within the holding company, is that correct?

A. Yes, sir.

Q. Now, for what reason was the holding company interested in the possibility of acquiring First National Bank of Windsor?

A. Primarily because of the entrance of the Eastman-Kodak Company into the Windsor area.

Q. And at the time you made this inquiry, other than the Eastman-Kodak matter, had you conducted any kind of an economic study of the Windsor area?

A. No, other than, again, my knowledge of Windsor and the area through my years in the Correspondent Bank Department.

Q. Now, prior to this contact with Mr. Ashley of Windsor, was the general economic nature of the area discussed among the officers of the Bancorporation?

A. Just in general. In other words, all of us were pretty cognizant and knowledgeable to the Weld County area.

Q. Were you all in general agreement that it was a growth area?

A. Overall.

Q. Well, then, after you established contact with Mr. Ashley through Mr. Clark, I gather from your Interrogatory Answer that you went to Windsor and carried on discussions with Mr. Ashley?

A. Yes.

Q. Could you tell us, to the best of your recollection, the substance of those discussion?

A. We discussed in general with Mr. Ashley the acquisition of controlling interest in his bank by the Bancorporation; generally the benefits that we could offer to the Windsor community as Eastman came in and began operations. We discussed what would be a fair price for his shareholders. We discussed how the bank would be operated, assuming that we did acquire it. It was just a general discussion of the overall holding company philosophy, prices and operation.

Q. Did you make him an exchange offer at that time?

A. We discussed that in detail, but we never were able to arrive at a satisfactory agreement.

Q. In the last paragraph of the portion of your Answer, Interrogatory 33, concerning the First National Bank of Windsor, it's indicated that discussions were finally terminated in January of 1969, when you called Mr. Ashley advising that you no longer had an interest in acquiring a controlling interest in his bank. Could you tell us how you lost interest?

A. Very simply, he wanted more than we were willing to pay.

Q. What kind of a bank was the First National Bank of Windsor.

A. Primarily an agricultural bank.

Q. What do you mean by "agricultural bank"?

A. Well, most of the deposits and loans were to farmers and cattle feeders as opposed to loans in commercial business.

Q. Would you call it a wholesale bank?

A. (Conferring with counsel) Yes, I think probably I would. But I guess for our own—if this comes up again, the difference between a commercial bank as opposed to a retail bank, in our terminology, anyway, is one where the retail bank is more oriented towards the consumer, automobile loans, finance-type consumer loans as opposed to a bank which takes care of the business needs of the area.

Q. Well, in terms of your usage of retail versus wholesale, would you say the Windsor Bank was a retail bank or wholesale?

A. I'd say it was more a wholesale bank or commercial bank, is our terminology, than retail.

Q. Now, I would like to direct your attention to the portion of your Answer to Interrogatory 33 concerning the National State Bank of Boulder. Judging from some things I have been seeing in the newspapers, there have been some developments since this particular answer was written. And I wondered if you would bring me up to date. The last meeting you had was back in October, 1970, at which meeting you informed Mr. Culver as to a price, which, if acceptable, you would recommend to the Board of Directors of the Bancorporation. Well, first off, let me ask you, why is Bancorporation interested in acquiring the National State Bank of Boulder?

A. It's the same philosophy as we recently alluded to, that it's a reasonable size bank in one of the largest cities in Colorado, and to a degree it's a commercial-type bank allied with the type, or similar to the First National Bank of Denver, following the organization pattern that I referred to.

Q. Are you familiar with the economic characteristics of the Boulder area?

A. Yes.

Q. Did those economic characteristics have any bearing on your interest in being represented in Boulder?

A. (Conferring with counsel) Our primary reason is—the bank gets the philosophy that we have referred to so far as getting into the larger cities initially in Colorado with banks that meet our general philosophy of management. Boulder is a good area.

Q. Is it a growth area?

A. It has shown some degrees of growth. But it's more of the philosophy than the growth area, because, as you know, we filed an application in Pueblo, which doesn't have the same degree of growth that Boulder or Greeley did.

Q. Now, I understand that in February of '69 you had discussions concerning the possibility of acquiring the National State Bank of Boulder, but another group called the Parsons group acquired it instead. And then you indicate on page three of your Answer to Interrogatory 33 that in early September, 1970, Mr. Vern D. Cornelsen, president of Colorado Investment Securities, Inc., called you——

A. Yes.

Q. —to discuss whether Bancorporation had any interest then in acquiring National State Bank of Boulder.

What is Colorado Investment Securities, Inc.?

A. I'm not completely familiar with that operation, other than the fact that Mr. Vern Cornelsen told me that he was instrumental in arranging—helping arrange the acquisition of the National State Bank by the Parsons group, and that he felt obligated to help them dispose of the bank after they got themselves into trouble with the regulatory authorities.

Q. Well, did Colorado Investment Securities, Inc. have any interest in Parsons?

A. Not to my knowledge. They acted only as an advisor, investment advisor.

Q. Did you know the general nature of Colorado Investment Securities, Inc., the type of business they're in?

A. Only from what they told me, that it was an investment advisor service. I had never seen a financial statement.

Q. Do you know where they're located?

A. Yes, in the First National Bank Building in Denver.

Q. Now, on the fourth page of your Answer to Interrogatory 33, Mr. Alexander, you indicate, about the eighth line

down, "Mr. Bruce Alexander indicated that Bancorporation already had a substantial loan outstanding to National State which it wished to protect, explained the time frame which might be required, discussed in general the possible position of the Board of Governors," et cetera.

Could you tell us about this loan that you then had outstanding with the National State Bank?

A. The loan was from the First National Bank of Denver to the Centennial Investment Company, which owns some 90 per cent of the stock in the National State Bank, and the loan was secured by those shares.

Q. Now, is there any relationship between the Centennial Investment Company and the Parsons group?

A. Yes. The Centennial Investment Company is one of the limited partnerships of the Parsons group.

Q. And is Centennial a Colorado corporation or other partnership?

A. I don't know. I've got their partnership agreement on my desk. So I can give you the names of the partners. I can't tell you specifically whether it is or isn't.

Q. Would you get us the answer to that?

A. I think it's probably a Michigan partnership.

Q. Well, then, continuing with your Answer to Interrogatory 33, you went on to explain the role of the Department of Justice in bank acquisitions. I think I won't ask you what you said.

Then the answer goes on, "Mr. Alexander asked for additional information regarding the bank concerning its management and the valuation of certain assets. The meeting was adjourned until October 7, 1970 at, which meeting Mr. Alexander informed Mr. Culver as to a price which, if acceptable to Mr. Culver, he would recommend it to the Board of Directors of Bancorporation."

Now, that's the end of the answer. I wonder if you would bring us up to date on what has happened with regard to the National State Bank of Boulder since that time.

A. Subsequent to that meeting, Mr. Culver advised me that the Centennial Investment Company people would accept the price which I would recommend to my Board of Directors. I subsequently reviewed the proposed acquisition with the executive committee of the Bancorporation, and then with a special meeting of the Board of Directors of the Bancorporation, and in each case the proposed ac-

quisition was approved. An announcement was then released to the papers. This was also followed by a meeting of the directors of the National State Bank, in which they unanimously approved support of the Boulder deal, culminating in a written contract for the Centennial group to sell and to be acquired subject to the regulatory authorities.

Q. And are you currently preparing an application for the Federal Reserve Board to make this acquisition?

A. Yes, sir.

Q. Have you discussed any time frames with the National State? Do you have any estimate as to the time in which you anticipate it will take between now and the time you file with the Federal Reserve Board?

A. Well, our philosophy at the moment is to do this acquisition as quickly as we possibly can, primarily because of the management problems of the bank, our analysis of the liquidity problems and the overall weakening condition of the National State Bank. And if we can acquire it, the sooner the better.

Q. Do you have any estimate as to when?

A. Well, my office is scheduled to file it before Christmas if we possibly can.

Q. Now, Mr. Alexander, I would like to direct your attention to the next acquisition which you described in your Answer to Interrogatory 33. That's on the fourth page of the Answer. It's the Colorado Springs National Bank. You start out with this statement, "Senior officials of the Bancorporation were indirectly given to understand that Colorado Springs National Bank, a long-time correspondent bank, was to be offered for sale and that bids would be accepted only from the Bancorporation and Denver U. S. National Bank."

I wonder if you would tell us what you mean by the statement that senior officials of the Bancorporation were indirectly given to understand.

A. The Colorado Springs National Bank was a long-time correspondent of the First National Bank of Denver and one of its better correspondents by virtue of size of deposits relationship. This bank, in our discussions among ourselves in the expansion of the holding company was comparable to what I referred to before, policy-wise. In other words, Colorado Springs is a good city and this was a reasonably sized bank, comparable to the First National Bank

of Denver. In other words, it was a meaningful bank in a meaningful city as a reasonable place to start our expansion program. When we discussed the possible acquisition of that bank with the officials of the Colorado Springs National Bank, they indicated an interest. And as we indicated in the response, Mr. Adams and myself did meet with the representatives of that bank. During one of those meetings the implication came out that the directors of the Colorado Springs National Bank wanted to sell it but they wanted to put it out to the highest bidder between ourselves and the Denver U. S. Initially we did not know that we were in a bidding situation.

Q. Well, did they ever indicate to you why they were interested in bids only from the First National Bancorporation and the Denver U. S. National Bank?

A. No, not really.

Q. Well, then, after a series of meetings, Bancorporation presented a written offer to Colorado Springs National Bank?

A. Correct.

Q. And this was rejected, is that correct?

A. Well, they accepted the offer of the Denver U. S. National Bank rather than ours.

Q. In your last paragraph discussing Colorado Springs, it says "Several days following this meeting in Colorado Springs, John Armstrong called Mr. Alexander in Denver advising that the bid of Bancorporation had been rejected and the bid of Denver U. S. Bancorporation, which is now the United Bancorporation, had been accepted."

A. Yes, the United Banks of Colorado.

Q. Did Mr. Armstrong tell you why your bid had been rejected and the United Bank's accepted?

A. The principal reason, he said, was that the payout, the dividend payout of the Denver U. S. Bancorporation was higher than the percentage payout of the First National Bank of Denver, and that although we had each offered approximately the same price per share, that there was a differential of some $100,000 which would accrue to shareholders of the Colorado Springs National Bank had they gone the direction of the Denver U. S. rather than they accepted our bid.

Q. Had they had any correspondent relationship with the Denver U. S. National Bank?

A. I believe they had a modest account with the Denver U. S. National Bank.

Q. But their main correspondent in Denver was the First National Bank of Denver?

A. Yes.

MR. METZGER: Off the record.

(Discussion off the record.)

Q. (By Mr. Schoepke) Now, Mr. Alexander, I would like to go on and discuss the next bank contained in your Answer to Interrogatory 33, the Valley State Bank of Lamar. And in the first sentence—well, the first sentence indicates that Bancorporation, through Mr. J. Rodney Uhrich, a vice-president of the First National Bank of Denver, in the Correspondent Bank Department, had indicated to Mr. Elmer Faser, president of the Valley State Bank of Lamar, during the latter half of 1969 that Bancorporation might be interested in acquiring a controlling interesting in the Valley State Bank.

Do you know how Mr. Uhrich happened to indicate that possible interest to Mr. Faser?

A. I asked him.

Q. You asked him?

A. Yes.

Q. For what reason were you interested in acquiring the Valley State Bank of Lamar?

A. Again, as I referred to previously, the overall interest in becoming a state-wide holding company, and that we would like eventually to acquire a bank in the Arkansas Valley. The Valley State Bank of Lamar was a modest bank in Lamar, which was one of the largest cities in the Arkansas Valley. It was a bank that had some problems, and being undercapitalized, needed help. It was one that we felt that if we acquired it, we could provide a real service to the community of Lamar and also the bank itself.

Q. Did you give consideration to acquiring any other bank besides the Valley State Bank of Lamar?

A. We have not, no.

Q. I mean in that county.

A. No, we have not.

Q. Now, what is the nature of the economy down in that area, Prowers County?

A. Again, it's primarily agricultural. There are a lot of wheat farms down there, cattle feeding. There are some ranches, some smaller ranches that grow cattle and feed sheep. Lamar is one of the better communities in the Arkansas Valley. It hasn't had too much growth. But it's one of the better representative communities in the valley. But it's primarily an agricultural community.

Q. Now, could you tell us, did Mr. Faser indicate to you any interest in becoming a subsidiary of First National Bancorporation?

A. Yes, Mr. Faser has interest in having us acquire the Valley State Bank of Lamar. He owns a third of the stock and has associates who own the balance.

Q. What is the present status of the matter? Where are we?

A. We have come to no conclusion or agreement at the present time.

Q. Have you made them any offer?

A. Not a written offer. I have again told them what price I will recommend to the Board of Directors, but they have not accepted it.

Q. When did you indicate to them what you would recommend to your Board of Directors?

A. Oh, I would guess last August.

Q. Have you had any contact at all with Mr. Faser since?

A. Not since late August, no.

Q. Have you talked to him on the telephone at all?

A. Several times, yes.

Q. Have you asked him about the status of your offer?

A. Yes. There seemed to be a difference of option insofar as the owners of the bank as to whether they want to sell the bank, and if they did, what price. And it's also complicated by some insoluble tax problems.

Q. Perhaps you better say "allegedly insoluable."

But as of this date, your offer has not been rejected?

A. No.

Q. And you have not withdrawn it?

A. Well, at the present time there's nothing outstanding. We would continue to have discussions with them. But we actually never agreed on any price or any method of payment or any operation or anything. So there is nothing concrete.

Q. Now, going on to the next bank of which you had some discussions concerning possible acquisition, the next-to-the-last page of your Answer to Interrogatory 33, the Routt County National Bank of Steamboat Springs. And I notice there that the initial contract apparently was made by the president of the Routt County National Bank. Well, no. I withdraw that. How did it come about that you had discussions with Mr. Scott, president of the Routt County National Bank of Steamboat Springs?

A. Well, historically, or for many years, anyway, the Routt County National Bank had maintained its principal depository account with the First National Bank of Denver, which bank had helped finance the acquisition of shares in that bank for Mr. Scott and some of his associates. And I think he ended up owning some 50 to 60 per cent of the stock in the bank. He had some estate problems of his own and could see the benefits of joining a registered bank holding company from a personal point of view and also from the point of view of what the holding company could do for Steamboat Springs. He had been approached by the president of a Denver bank holding company who discussed with him his interest in joining that holding company.

Q. Did he tell you which holding company?

A. Denver U. S. He was approached by Mr. Roger Knight. He felt that inasmuch as he also had his relationship with us, that before he made any decision as to whether or not he wanted to join a holding company in fact, or which one, that he wanted to talk with us and see whether we had any interest in acquiring his bank. So he came into my office the latter part or the first part of August for just a general discussion.

Q. Now, you indicated at the end of your answer that Bancorporation was in the process of collecting statistical facts in connection with the preparation of making an offer. Could you tell us what kind of statistical facts you are in the process of collecting?

A. Mr. Scott has given us detailed figures on his bank, his earnings and so forth. I had a second informal discussion with him about our acquisition of his bank. I have not made him an offer. He has not accepted one. He has not even decided whether he wants to sell his bank. And furthermore, he said that he felt that he would have a better opportunity in joining a holding company should he decide

to do so if he went with the Denver U. S. Bank because he doesn't think that First National Bancorporation can get anything.

MR. SCHOEPKE: Off the record.

(Discussion off the record.)

Q. (By Mr. Schoepke) Since you were in the Correspondent Banking Department of the First National Bank of Denver, I assume you are acquainted with Routt County?

A. Yes.

Q. Could you tell us the nature of the economy of Routt County?

A. Routt County, I think, for the most part is an agricultural area again. It's got a lot of cattle ranchers and sheep ranchers. It has some coal deposits. In fact, I guess it's got the biggest underlying coal deposit of any county in Colorado. But there isn't very much mining going on at the present time, except one or two small exceptions. And Steamboat Springs is beginning to develop slowly as a ski resort.

Q. Is that the main reason for its existence, skiing, or are there other industries there?

A. No. It's primarily agricultural and farming, and a lot of good fishing.

Q. Mr. Alexander, in some of the documents that were sent to us in response to our request for documents under Rule 34 of the Civil Rules of Procedure, in documents which are numbered pages 351 to 60—I don't have them, our copies here—mention is made of a Jefferson County affiliate. Do you recall the meaning of that? It's not in the Interrogatories.

A. Off the record?

MR. SCHOEPKE: Yes.

(Discussion off the record.)

Q. (By Mr. Schoepke) Now, in connection with your consideration of various acquisitions, your Interrogatory Answers did not contain any information on the preliminary discussions or negotiations concerning the banks for which you have filed formal applications with the Federal Reserve Board. And I wonder if we might go into that. Of course, we have gone through Greeley. May I direct your attention now to the bank at Sterling. What is the name of that bank?

A. Security State Bank.

Q. Yes. How did it come about that your corporation first became interested in the Security State Bank of Sterling?

A. We had an interest in becoming a state-wide holding company of that bank, and that bank had had a long relationship with the First National Bank of Denver. It was one in which we had a general interest. We discussed the generalities with Mr. Brown, the president of that bank, initially whether he would be interested in joining a holding company. And he said eventually he might. And normal discussions were held until such time as he had been offered a position as executive vice-president of the First National Bank of Denver, where he had formerly worked. That was in March '69 I think.

Q. That's Theodore Brown?

A. Yes.

Q. Why was he elected at that time to the——

A. No. Wait a minute.

Q. '68, wasn't it?

A. He had been on the Board of the First National Bank of Denver for five or ten years.

Q. When you say sometime in '69 he was elected——

A. He was offered the job in the spring of '69. And it was announced to the public in September of '69. He was offered the position of executive vice-president of the bank primarily because of the age of our chairman, Mr. Montgomery Dorsey, who is now 70, and Mr. Gene Adams, who is 58 and who was about to become, hopefully the president of the American Bankers Association, which is a two-year stint, plus the advent of the holding company and the necessity for additional senior management. When it was announced that he was going to become executive vice-president of the First National Bank of Denver in September of 1969, effective January 1, 1970, he wanted to formalize the acquisition arrangements, all of which led to my visit with him about a year ago, when we worked out a mutually acceptable exchange ratio.

Q. Well, why were you interested in acquiring the Bank of Sterling?

A. Sterling is one of the better communities in northeastern Colorado. And his bank again fitted the pattern that we were trying to follow of being a reasonable bank

in a reasonable community and more allied to our type of operation.

Q. Did you give consideration to acquiring any other banks in Sterling?

A. No.

Q. And whatever county it's in or section of Colorado?

A. No. It's in the application that we have had a very, very strong relationship with that bank for 40 or 50 years. One of the officers of the First of Denver was on that Board back in the late '20's. Mr. Brown's age is 48.

Q. Now, can we turn for a moment to your pending application for Colorado Springs We have already discussed your discussions concerning the possibility of acquiring the Colorado Springs National Bank. How did it come about that you became interested in acquiring the Exchange National Bank of Colorado Springs?

A. This came about after our offer to acquire the Colorado Springs National Bank was rejected. We still wanted to have a reasonable bank in Colorado Springs. The Exchange National Bank fitted our pattern again. I went down and had an informal discussion with Mr. Fred Farrar, who is presently chairman of the board of the Exchange National Bank, and indicated to him our interest.

Q. Had Mr. Farrar been associated with any of the First National Bancorporation's subsidiaries prior to that time?

A. Not with the Bancorporation's subsidiaries.

Q. How about with Bancorporation itself?

A. He is presently a director of the Bancorporation and a member of its executive committee.

Q. When did Mr. Farrar first become a director of First National Bancorporation?

A. Off the record for just a moment.

(Discussion off the record.)

MR. SCHOEPKE: Back on the record.

Q. Mr. Alexander, according to your Answer to Interrogatory No. 49, one of the directors of the First National Bancorporation is Frederick M. Farrar. Now, to save a little time so you don't have to look it up, Interrogatory Answer 12 indicates that Mr. Mahlon White has been a director of the First National Bank of Denver since 1968.

A. Yes.

Q. Now, Mr. Alexander, there is on the Board of Directors of the First National Bank of Denver a Mr. Mahlon T. White, is that correct?

A. Yes.

Q. And you know Mr. White?

A. Yes.

Q. And according to your Answer to Interrogatory No. 12, he was elected to the Board of the First National Bank of Denver in October, 1968, is that correct?

A. Yes.

Q. Now, with respect to your Answer to Interrogatory No. 49, you indicated that Mr. Mahlon T. White owned 61 per cent of the stock of the First National Bank of Durango.

A. Correct.

Q. I would like to ask whether there has ever been any discussion by Bancorporation with Mr. White concerning the possibility of Bancorporation's acquiring the First National Bank of Durango, of which he owns 61 per cent.

A. No specific discussions in that regard, inasmuch as Mr. White is present, anyway, and he made it clear that he's not interested in selling any of his banks.

Q. Well, did anyone ask him whether he would be interested is disposing of the First National Bank?

A. No.

Q. Did you ask him individually at any time?

A. No.

Q. And you know of no officers of Bancorporation that might have discussed this question with him?

A. Well, I know of nobody that has done it directly.

Q. Now, according to the Answer to Interrogatory No. 49, Mr. Mahlon White also owns 77 per cent of the stock of the Fidelity Bank and Trust Company in Monte Vista.

A. Yes.

Q. Has there even been any discussion between Mr. White and officers or employees of the Bancorporation concerning the possibility of Bancorporation's acquiring Fidelity Bank and Trust Company of Monte Vista?

A. None from the management of the Bancorporation. Whether any employee did, I don't know. But we have no interest in that bank.

Q. Incidentally, where is Monte Vista?

A. About ten or twelve miles north of Alamosa, down in the San Luis Valley. I can show it to you on the map.

Q. Along that same line of questioning, we note from Interrogatory Answer No. 49 that Mr. Mahlon's wife owns 18 per cent of the Minnequa Bank of Pueblo.

A. Yes.

Q. Has there been any discussion by Bancorporation or its officers and management with Mr. White concerning the possibility of acquiring the Minnequa Bank in Pueblo?

A. None that I know of.

Q. Now, a few moments ago you indicated that Mr. White had indicated that he was not interested in disposing of any of his banks; there were no discussions with him. I wonder on what basis your knowledge to that effect is.

A. I think the best way to answer that is that maybe because of his ownership of these banks, for background information, his father owned those banks, and when he died he left most of the stock to his mother and to Mahlon's wife. And I think generally people have assumed that these would be the first banks which we would want to acquire. And as an answer to general statements, "When are you going to acquire those banks?" Mahlon indicated to whomever he was talking, and the word was released that he was not interested in selling those banks. That was the general answer. But I think it's indicative of the situation.

Q. But do you know to whom he made these statements? Did he make them to you?

A. No. Sort of a general discussion and the sort of impression that he let out. But we have never had any definite discussions about this matter.

Q. Now, getting back to Interrogatory No. 49, I see that he is also a director of the First National Bancorporation.

A. Not Mahlon White.

Q. William M. White, Jr., and that he is also a director of the First National Bank of Denver. Is there any relationship between Mahlon White and William White?

A. Brothers.

MR. METZGER: None other than that.

Q. (By Mr. Schoepke) Well, in connection with Mr. William White's stockholdings in other banks, I notice that he, according to Interrogatory Answer No. 49, owns some of the stock of the Bank of Aspen in Aspen, Colorado. And I wondered if there had ever been any discussion with

Mr. William White as to the possibility of the acquisition by First National Bancorporation of the Bank of Aspen.

A. Only in a limited manner. I asked Bill at one point whether he would be interested in letting us acquire the Bank of Aspen. He said that he would, or that we would have to discuss the matter with his brother Mahlon who spoke for the bank and not him.

Q. And Mahlon White, according to Interrogatory Answer 49, also has about 3.68 per cent of the Bank of Aspen. Well, I take it, judging from your previous answers, that you did not discuss the Bank of Aspen with Mahlon White?

A. Right.

Q. Now, going back to William White, also I notice that he has about 7.6 per cent of the shares of the First National Bank in Alamosa, Colorado. And I would ask you similarly, have you yourself ever, or on behalf of Bancorporation, had any discussion with William White concerning the possibility of acquisition of the First National Bank of Alamosa?

A. None whatsoever.

Q. Do you know of any other officer of the Bancorporation who has had any discussion?

A. I feel certain nobody has.

Q. On what do you base your certainty?

A. Just that it's never been discussed amongst us at all.

Q. Now, in the same vein, Mr. Alexander, there is listed in Answer to Interrogatory No. 49 a Mr. George R. Bauder, Jr., who is a loan officer of the First National Bank of Denver. And he owns 6.08 per cent of the shares of Metropolitan State Bank in Commerce City, Colorado. Has there ever been any discussion by Bancorporation with Mr. Bauder conerning the possible acquisition of the Metropolitan State Bank of Commerce City, Colorado?

A. No.

Q. Has there ever been any discussion of Bancorporation with anyone else concerning the possible acquisition of that Bank?

A. No.

Mr. Schoepke: May we break now? I don't think we'll take too much longer after lunch.

(Noon recess)

* * *

Afternoon Session
November 18, 1970
1:45 p.m.

BRUCE D. ALEXANDER,

the deponent herein, testified further as follows:

CROSS-EXAMINATION (Cont'd.)

BY MR. SCHOEPKE:

Q. Mr. Alexander, you understand, of course, that you are still under oath.

During the morning session, Mr. Alexander, we asked you two questions about Mr. Frederick M. Farrar about the time that he was a director of the First National Bancorporation, and you indicated that you would check that up during the recess. Have you done so?

A. Yes.

Q. Perhaps it would be easier if you would just read the information that you have assembled into the record.

A. Mr. Farrar was elected to the Board of Directors of First National Bancorporation on October 29th, 1968. He resigned from the Board of Directors on January 13, 1969. He was elected a director and made a member of the executive committee on September 17, 1969.

Q. Now, Mr. Alexander, I note from your answer, the defendants' answers to Interrogatory No. 12 that a Mr. Donovan M. Whiteman was vice-president of Colorado National Bank; w a director of the First National Bank at Northglenn from 1966 to September, 1968.

A. Correct.

Q. Do you know for what reason he was elected a director?

A. He was president of the bank, the First National of Northglenn. Let me tell you that Mr. Whiteman worked with the Denver United States National Bank, and then when we needed a president, executive officer of the Northglenn Bank, we hired him from the Denver U. S. He went out to Northglenn as executive vice-president for a while and then was made president. And then during the course of the time he was executive vice-president. And he was presently a director of the First National Bank of Northglenn. He then resigned from Northglenn about a year

ago, whenever it was, because of his wife's health. He moved to Florida, and then he came back. And upon his return he went to work for the Colorado National Bank.

Q. He was not connected with the Colorado National Bank at the time he was connected with the First National Bank of Northglenn?

A. No.

Q. I would like to direct your attention to defendants' answer to Interrogatory No. 15 which is concerned with stockholders of First National Bancorporation owning three per cent or more of the stock. In this regard, I notice that among the shareholders listed in that answer is an organization known as the A. V. Hunter Trust, Incorporated owning 165,000 shares, which is approximately 11 per cent of the shares of Bancorporation.

Could you tell us what is the A. V. Hunter Trust?

A. It is a charitable non-profit organization organized in perpetuity against the assets, which is the shares of the First National Bancorporation. It was organized, I believe, through the will of Mr. A. V. Hunter, who, from 1911 to 1913 or 1914, in that particular area, was chairman of the board of the First National Bank of Denver, and one of its major stockholders.

Q. Now, who administers that trust?

A. The chairman of that trust is Mr. Montgomery Dorsey.

Q. And is there any connection between the administration of that trust and the trust department of the First National Bank of Denver?

A. It's my understanding that the trust department holds in a safe-keeping account the assets, or some of the assets, of the Hunter Trust, but only in a safe-keeping capacity. They exercise no control over it.

Q. They exercise no management?

A. Well, it's technically called an agency account. In other words, it's just a safe-keeping account. They have no control whatsoever over it.

Q. Well, when you say an agency account, is it a discretion agency account? Is that what you mean?

A. It holds the certificates in safe keeping.

Q. There is no personnel in the trust department that does things with regard to the trust, other than from instruction by Mr. Dorsey or his appropriate agents?

A. That's right. The trust exercises complete control over the assets or distribution of any funds.

Q. Do you happen to know who the trustees of the trust are besides Mr. Dorsey?

A. I know some of them. I can't give you a full list. So if you want it, I'll give it to you. There are four or five. There's Bill Coors. Do you want me to get it for you? Would that be better?

Q. Well, we won't have to interrupt anything now, but if you could get it, that would be fine.

A. Okay. I'll get it for you.

Q. Maybe we can bring it into one of the later depositions.

A. Gene Adams is one.

Q. Well, when we talk to him we can get to it.

In this regard I notice that from Interrogatory Answer 50 the A. V. Hunter Trust also has 16 per cent of the Southern Denver National Bank in Glendale.

A. It's the South Denver National Bank.

Q. In Glendale?

A. Yes.

Q. Has there ever been any discussion to your knowledge with regard to the possibility of the acquisition of the South Denver National Bank by First National Bancorporation of Denver?

A. That's a good question. We've given consideration to it, but no formal discussion was ever made, because we don't believe that the Federal Reserve Board would approve.

MR. METZGER: Off the record.

(Discussion off the record.)

Q. (By Mr. Schoepke) I also note that the A. V. Hunter Trust had 6.7 per cent of the stock of the Guaranty Bank of Denver. Need I ask the same question?

A. No, you don't need to.

Q. There has been no discussion at all of the possibility of acquiring it?

A. I'll tell you the whole story on all of them if you want to, but absolutely no discussion.

MR. LIPKOWITZ: Because of their position with the Bancorporation, or did they get this trusteeship in some other way?

A. I can also get that answer for you. I think Mr. Dorsey fits on there, because of his position as the chairman of the First National Bank of Denver. But I don't know. I'm not conversant with the terms of that trust.

Q. (By Mr. Schoepke) You mean the First National Bank of Denver is designated as one of the trustees of the trust?

A. Oh, no. The chairman of it.

Q. In his official capacity or in his individual capacity as Montgomery Dorsey?

A. In other words, the chairman of the First of Denver is invited to be a trustee, but I do not know for sure.

MR. SCHOEPKE: Could we ask that a copy of the trust instrument be made available?

MR. METZGER: No. I have no objection to letting you have it, but it's not our trust instrument. So could you ask the trust for it? I don't think you'll have any trouble getting it. But I would rather you address your inquiry to them rather than have the bank do it. You're not going to have any difficulty getting it.

Q. (By Mr. Schoepke) Well, then, in this same vein, Mr. Alexander, the A. V. Hunter Trust, according to Interrogatory Answer 50, has about 12 percent of the First National Bank in Grand Junction. Has there even been any discussion with any of the trustees of the Hunter Trust with respect to the possibility of acquiring as a subsidiary of First National Bancorporation the First National Bank of Grand Junction?

A. No.

Q. Now, in the same Interrogatory Answer No. 50 there is an organization called Southern Colorado Banking Company which has 7.73 per cent of the outstanding shares of Bancorporation stock. Do you know what the Southern Colorado Banking Company is?

A. Off the record.

(Discussion off the record.)

A. Well, Southern Colorado Banking Company, as far as I know, is a partnership of which Frederick M. Farrar is a general partner. I have never seen a copy of the trust instrument or the partnership agreement.

Q. Do you happen to know of any other banks in which Southern Colorado Banking Company has an interest?

A. My understanding is that they own a controlling interest in the First National Bank of Pueblo and the Exchange National Bank of Colorado Springs.

Q. Now, on the list of major stockholders, I see that there is a Mary Alice Thatcher Jones owning 7.68 per cent of the Bancorporation stock. You mentioned that name earlier this morning, the Thatchers. To your knowledge, is this Mary Alice Thatcher Jones a part of this Thatcher family?

A. She is a niece of Raymond Thatcher, who was related to Mahlon Thatcher. And when Raymond Thatcher died, he left her 40,000 shares of the First National Bank of Denver.

Q. And you say she was married to Mahlon Thatcher?

A. No. She was a niece of Raymond Thatcher, and Raymond Thatcher was related to Mahlon Thatcher, who was the father of Fred Farrar's wife.

Q. The first name, Mahlon, does that connect Thatcher with White or is that a coincidence?

A. Well, Mahlon White is the grandson of Mahlon Thatcher.

Q. The next largest shareholder is a person by the name of Janet Estelle Shaw LaComp, who owns 6.17 per cent of the Bancorporation. To your knowledge, is she related in any way to Mary Alice Thatcher, the Whites or the Mahlon group?

A. No. She has a relationship—I've forgotten what it is—with the A. V. Hunters. There is no relationship at all to any of the Thatchers.

Q. Do you know what her relationship was to Mr. A. V. Hunter?

A. No, I don't. I think she was a niece of Mrs. Hunter, but I'm not sure.

MR. LIPKOWITZ: Isn't she related to Oliver LaComp who is a director of the First National Bancorporation?

A. Yes. Aly LaComp is her husband.

MR. METZGER: Off the record.

(Discussion off the record.)

Q. (By Mr. Schoepke) Among the major stockholders of Bancorporation is an organization called Dake and Company, which has 5.91 per cent of the shares of Bancorporation stock. What is Dake and Company?

A. It's a nominee of the trust department of the First National Bank of Denver.

Q. And then the next largest shareholder I have is an organization known as Skelton and Company, which has about 4.3 per cent of the shares of Bancorporation. Do you know who Skelton and Company is?

A. It's a nominee of a bank, I think, in New York City. But it is a nominee of a major bank. I'll find out which one it is if you want it.

Q. All right. If you would, I would appreciate it. Going back to Dake and Company, just for the record, would you explain in what way and for what purpose Dake and Company is used as a nominee by the trust department of the First National Bank of Denver, if you know?

A. It's just a mechanical means of holding title to shares which are in various trusts. For the most part, all securities owned or held in the trust department of the First National Bank are issued in the name of Dake and Company. It makes it a lot easier for them to handle securities and sell them and trade them and so forth. Some of the shares in Dake and Company are of course held in various types of trusts; some just an agency account, and some in safe keeping.

Q. Does Dake and Company exercise voting rights of the shares of Bancorporation that it holds as a nominee?

A. In some cases, yes, and in others, no. You would have to have a complete breakdown of all the shares in the trust. And I think that you can find the answer to that in any one of our applications to the Federal Reserve Board.

Q. Mr. Alexander, I have just a short question here on Interrogatory No. 15, and that's the one that led to this mysterious request to take the deposition of Mr. Robert Reed. If you know the answer, it's possible we don't have to bother calling him. I put his name down because he has assembled the details, and you requested that the answer to Interrogatory No. 15 be held confidential. I have no reason not to go along with that request. So in that regard I will just point out to you on the second page of that Interrogatory Answer, which is a list of your large borrowers. And the third one down under the third column, "Type of loan," is "Government Security." And I wonder if you would happen to know what that is on that kind of a loan.

A. Yes. It's a loan which the First National Bank made

to a Denver bank, secured by government securities owned by the bank. The purpose of the borrowing is for the bank to meet its required reserves. The bank in question is not a member of the Federal Reserve system, and therefore, it must borrow what funds it needs from its major correspondent, which in this case is the First National Bank of Denver. It's a very normal transaction.

Q. And it pledges government securities in its possession as security for the loan?

A. Yes.

MR. SCHWARZ: Does that take care of Robert Reed?

MR. SCHOEPKE: Yes.

Q. Mr. Alexander, I suppose this really goes to the operations of the First National Bank of Denver, but I'll ask you as long as you're here. Perhaps you know the answer. Among the documents produced pursuant to our Rule 34 motion was one entitled "Colorado Economic Forum Outlook, 1969, sponsored by First National Bank, Denver."

And I believe we had some others. Apparently the First National Bank of Denver has this symposium usually in December of the year?

A. Correct.

Q. And various people around the state and various industries speak at that symposium?

A. Yes.

Q. Are you familiar with those?

A. Yes. It's an annual affair.

Q. The latest one we got was the outlook for 1969, addressed by, among others, Mr. Kenneth Monfort. That was the outlook for 1969. Was there any such meeting held in December, '69? Did you hold a forum at that time?

A. Yes.

Q. Was that published as the outlook for 1970?

A. Yes. Well, the speeches which were made in the forum of 1969 were included.

MR. SCHOEPKE: Off the record.

(Discussion off the record.)

MR. SCHOEPKE: Let the record show that we have asked Mr. Alexander if he would obtain for us a copy of the Colorado Economic Forum held by the First National Bank

of Denver in December of 1969, which would constitute the "Outlook for 1970."

Q. Mr. Alexander, this again refers perhaps to the workings of the First National Bank of Denver, but it covers a time when you were still with the bank, I believe. So if you can't answer them, fine. Then we will just hold them.

Interrogatory No. 24 is a list of each commercial bank with which any First National Bancorporation subsidiary maintained a relationship as correspondent bank customer. And there are a list of various banks, and included in that list is the American National Bank of Denver. The First National Bank of Denver had a $25,000 correspondent account with the American National Bank in Denver in 1967 and '68, but that account was closed in 1969 and 1970.

Do you happen to know anything about why that account was there?

A. Yes, sir.

Q. I wonder if you would tell us the nature of that particular relationship.

A. During the period we had the account, the American National Bank and the First National Bank, was the period when the First could not get sufficient coin to meet its needs. And I believe the American National Bank had the account of the city, which had parking meters, or a comparable account. And they had a lot of change. So they told us if we would open an account they would meet some of our change requirements. And that was our means of compensating them.

Q. That may answer my next question. The second part of that Interrogatory asks for each service which was rendered for that correspondent bank balance that was kept in the bank, and for the American National Bank there is nothing given either in terms of operational activity or intangible or loan purchases.

A. It was just for that one purpose.

Q. Of meeting the coin requirements?

A. Yes.

Q. Now, in that same Interrogatory Answer, Mr. Alexander, the First National Bank of Denver had a correspondent balance in the First National Bank of Colorado Springs. And I notice that the balance in 1967 was $50,000; in 1968 it was $50,000; and in 1969 it was $50,000, and then in 1970 it dropped to $25,000. Are you familiar with the

reason for that change on the balance that you kept, or that First National Bank of Denver kept in the Colorado Springs Bank?

A. Yes. The account was primarily to compensate for that bank for the cash letter that we sent to them. And in 1970 we organized a cash management division which ended up in reducing the balances of many of our correspondents. In other words, the $50,000 was too much money. We didn't need that much money. $25,000 covered the activity.

Q. Now, the purpose listed for the correspondent bank balance is intangibles, which is defined in your answer as business referrals, account assistance, trust and investment counseling, reciprocal accounts, and so forth.

A. And I think that's essentially right. At one point we did send them a cash letter.

Q. Would you explain to us what a cash letter is in banking parlance?

A. Those are just the checks which the First National Bank of Denver gets every day drawn on, in this case, the First National Bank of Colorado Springs. We just send those checks to them for collection.

Q. And the thing you send along with the checks is called a cash letter?

A. Yes.

Q. And then that is credited to your account in the Colorado Springs National Bank?

A. Well, it's credited to their account with us. Now, we may not be sending them cash letters any more to the First of Colorado Springs.

Q. Well, this particular Interrogatory refers to your account with them down there.

A. Yes.

Q. Do you know if that account is still in existence?

A. Yes, it is.

Q. Is it also because of the cash letter or——

A. We may not be sending them a cash letter any more. I don't know. But they have done just what the answer says, referred some business to us, and there are some intangible benefits.

MR. METZGER: Off the record.

(Discussion off the record.)

Q. (By Mr. Schoepke) Now, I would like to direct your

attention, if I may, to the application that was filed with the Federal Reserve Board with respect to the proposed Greeley acquisition by Bancorporation. And on pages 28 and 29 you discuss at some length your intention to organize an agricultural credit corporation as a wholly-owned subsidiary. I wonder if you would tell us about that.

A. At the time of our application, the First National Bank of Greeley had about 40 per cent of its loans in agricultural loans, and the bank was somewhat in excess of 70 per cent invested in loans. It seemed as—or our analysis indicated that one of the benefits that we could provide that bank with would be a vehicle which would enable us to take care of the need in that area for agricultural loans and thereby make more funds available to the bank for various real estate loans, commercial loans. So we gave consideration and said that if that application was approved, that we would form an agricultural affiliate. And if we capitalized it, for example, at a million dollars, we could rediscount seven times that amount with the Federal Intermediate Credit Bank, thereby making $8 million available for agricultural loans.

Q. Well, now, is the organization of that agricultural credit corporation uniquely tied to the acquisition of the Greeley Bank?

A. Well, the application said that if the application was approved and we acquired the bank, we would do it. Now, we might do it anyway. But at the present time we would not do it.

Q. Now, was it your intention to use this agricultural credit corporation exclusively for discounting the agricultural loans of the First National Bank at Greeley?

A. Initially.

Q. Or would you exclude your correspondent from taking advantage of those discount facilities offered by the credit corporation?

A. Well, we have never offered the—I think the answer would probably be that—excuse me. I'll back up a little bit.

The $8 million available would be to the best interest of that bank to try to accomplish what we were going to do for that bank. And it's not—I don't think we would do it exclusively, just for the First of Greeley. We would do it in our best interest, but it would be essentially for it.

Q. Has that corporation been organized?

A. No.

MR. LIPKOWITZ: Are there any such corporations existing in Weld County now?

A. Not to my knowledge.

MR. SCHOEPKE: Off the record.

(Discussion off the record.)

Q. (By Mr. Schoepke) Let's go back to the organization of your First National Bank at Northglenn that you organized as an affiliate. The stock for that, as I understand it, was subscribed to by stockholders of the First National Bank of Denver?

A. Yes.

Q. Did the First National Bank of Denver advance any loans to any of those stockholders on the security of the stock they were subscribing to in the First National Bank of Northglenn?

A. We may have made, or the First National may have made some loans to some stockholders of the First of Denver, but just on terms as they would any other loan. There was no formal program of financing acquisition of the Northglenn stock. It did make some loans to the developers of the shopping center, but those people were not stockholders of the First of Denver.

Q. And how about Bear Valley Bank?

A. It's the same in all three of the banks. There was no formal program of financing shares in those three small banks to the shareholders of the First of Denver.

Q. Would you say, to the best of your knowledge now, that the subscribers put up cash themselves?

A. I would think for the most part, yes.

MR. SCHOEPKE: Mr. Metzger, while you were whispering answers into the witness' ear, did you miss anything that you would like to bring out now?

MR. METZGER: No. Let me make one thing clear. I never suggested an answer. I asked a question. Mr. Alexander doesn't need any help on answers.

Let's take a five-minute break.

(Recess)

MR. METZGER: Back on the record.

EXAMINATION

By MR. METZGER:

Q. In your discussion on direct examination of the question of the development of the Northglenn, Bear Valley and Southglenn areas, the question was asked you whether or not these were growth areas. What did you understand that question to mean?

A. That they were areas outside, for the most part, the City and County of Denver and were just developing in the normal course of business.

Q. Was there any population to speak of before they had started developing?

A. No.

Q. These are suburban areas which are just developing?

A. Correct.

Q. There was a question as to what sections of the State of Colorado the Bancorporation would, as a matter of policy, like to locate in. Would you please restate your position on that question?

A. Now, the Bancorporation would like to be represented throughout the State of Colorado, in all areas, initially in the metropolitan areas, the population centers.

Q. Why would you like to be there initially?

A. More potential for profits and service. And we would like to get out into the agricultural areas, the western slope, the mining areas, the recreational areas for all parts of the state.

Q. On your loan production office in Greeley, are these loans taken up to be sold ultimately to the First National Bank of Denver?

A. No. They're primarily taken up for resale.

Q. To whom?

A. Some 50 investors which the First of Denver services at the present time.

Q. Where are these investors located?

A. Mostly on the east coast.

Q. It was suggested in your application that the loan production office in Greeley was unprofitable and that you were considering closing that office. In the event that this application for acquisition of the First National Bank of Greeley is denied, what is your intention, your present

intention, with regard to that loan production office in Greeley?

A. We will recommend that it be closed.

Q. Do you consider Lamar to be a growth area, sir?

A. No. It's a stable area but not truly a growth area.

Q. Do you consider Pueblo to be a growth area?

A. No.

Q. On your negotiations in Colorado Springs, could you tell us what you were intending to do when you started negotiations with Mr. Farrar?

A. The original intention when I went down to meet with Fred Farrar was to work out an exchange ratio with him for the acquisition of the Colorado Commercial Bank in Colorado Springs.

Q. And how did the subject get on to other than Colorado Commercial?

A. He asked me whether, rather than the Colorado Commercial Bank, would we prefer to have the Exchange National Bank, to which I replied that we probably would. It is a better bank. It was more profitable than the First National Bank of Denver and met more generally the——

Q. Did you mean than the Colorado Commercial Bank?

A. Yes. In other words, it was more in line with what we were trying to accomplish. So as a result of his inquiry as to whether we would be interested, we pursued it further, and negotiations resulted that we would attempt to acquire both First National Bank and the Exchange National Bank of Colorado Springs and Pueblo. And he indicated that for his own personal reasons, estate problems, management problems and similar problems that he would like to sell both of them. They had retained the Colorado Commercial Bank.

Q. Was the acquisition of the First National Bank of Pueblo Mr. Farrar's idea or yours?

A. Mr. Farrar's idea.

Q. Were you advised that the First National Bank of Pueblo was a condition for the acquisition of the Exchange Bank?

A. Yes.

MR. SCHOEPKE: That's a little moot, isn't it?

Q. (By Mr. Metzger) The entry of the White brothers and Mr. Farrar to the Board of the First National Ban-

corporation and the First National Bank of Denver, was this at the request of the management of the Bancorporation for any purpose of its own?

A. No.

Q. Can you tell us the circumstances under which these gentlemen became members of your Board?

A. It was a compromise settlement of the proxy fight and stock tender offer which was made in the year 1968.

Q. By these gentlemen?

A. Yes. It was initiated by the so-called Thatcher group, and a compromise settlement was the addition of these gentlemen to the Board of Directors of the First of Denver and the Bancorporation.

Q. So that their coming onto the Board served no purpose for the Bancorporation?

A. None.

MR. METZGER: I have no further questions.

RE-CROSS EXAMINATION

By MR. SCHOEPKE:

Q. You stated, I believe, that when you went down to see Mr. Farrar, you went with the intention of discussing with him the purchase of the Commercial Bank.

A. The Colorado Commercial Bank.

Q. But why were you particularly interested in that bank?

A. Because at that time we felt it was the best bank in Colorado Springs that was available to us.

Q. And where is that bank located in Colorado Springs?

A. It's in the downtown sector of Colorado Springs.

Q. Is that in the downtown sector or out in the suburban sector?

A. No. It's one of the four downtown banks. It's about a 14 million.

Q. By which you mean, for the record, $14 million in deposits?

A. Yes.

MR. SCHOEPKE: That's all I have.

(The deposition was concluded at 2:50 p.m.)

.....

BRUCE D. ALEXANDER

Subscribed and sworn to before me this .... day of ....., 1970.

My Commission expires .....

.....
Notary Public

CERTIFICATE

STATE OF COLORADO
} ss.
CITY AND COUNTY OF DENVER

I, THOMAS T. TOMKO, Notary Public and Certified Shorthand Reporter, State of Colorado, duly commissioned to administer oaths, do hereby certify that previous to the commencement of the examination of the said BRUCE ALEXANDER said witness was duly sworn by me to testify the truth, the whole truth, and nothing but the truth, and was thereupon interrogated as set forth in the foregoing deposition;

That the said deposition was taken in machine shorthand by me at the time and place aforesaid and was reduced to typewriting under my supervision;

That the foregoing is a true transcript of the questions asked, the testimony given, and the proceedings had;

That after the deposition was transcribed, the same was submitted to the deponent for reading and signing by means of a letter of notification, a copy of which is hereto annexed (that to date there has been no affirmative response by the deponent and said deposition remains unsigned, and the same is filed herewith pursuant to the provisions of Rule 30 e. of the Federal Rules of Civil Procedure);

That I am not attorney or counsel, or in any way connected with any attorney or counsel, for any of the parties to said action, or otherwise interested in its event.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal this .... day of ....., 19 .

My Commission expires December 9, 1972.

.....
THOMAS T. TOMKO
Notary Public

Bertram Naster
Thomas T. Tomko
Phones: 255-0497
255-0498

Depositions
General Reporting

NASTER & TOMKO
CERTIFIED SHORTHAND REPORTERS
AMERICAN NATIONAL BANK BUILDING
DENVER, COLORADO 80202
December 14, 1970

First Nat'l. Bancorporation
621 17th
Denver, Colorado

Attn: Mr. Bruce D. Alexander

Re: Deposition of Bruce D. Alexander
USA vs. First Nat'l. Bancorporation, No. C-2413, 11-18-70

Dear Mr. Alexander:

Your deposition in the above case is now ready for you to read and sign. Please make an appointment by telephone and come in within the next twenty days, or let us know if you need more time. We will endeavor to make an appointment at a time convenient for you.

The Court rules require that your deposition be filed promptly. If after twenty days we have not heard from you, your deposition will be filed with the Court without your signature.

Very truly yours,

THOMAS T. TOMKO
Certified Shorthand Reporter

cc:

Bertram Naster
Thomas T. Tomko
Phones: 255-0497
255-0498

Depositions
General Reporting

NASTER & TOMKO
CERTIFIED SHORTHAND REPORTERS
AMERICAN NATIONAL BANK BUILDING
DENVER, COLORADO 80202

December 16, 1970

Mr. Edward B. Close, Jr.
Hughes & Dorsey
Attorneys at Law
401 First National Bank Building
Denver, Colorado 80202

Re: U. S. vs. First National Bancorporation, et al., Civil No. C-2413

Dear Mr. Close:

Pursuant to our oral understanding at the time of the taking of the depositions of various officers of the bank and others, I am enclosing herewith the original transcripts of the depositions of Lee C. Ashley, Carrol L. Stubbs, Bruce E. Dines, Richard S. Fitzgerald, Theodore D. Brown, Philip James Hogue, Eugene H. Adams, and Bruce D. Alexander, for the purpose of securing signatures thereon through your good offices.

We also enclose our standard correction forms for use if necessary. Both the deposition transcripts and any correction forms used should be signed before a notary public who will execute the form provided thereon.

Your help in this matter will be most appreciated, and when the signatures have been accomplished, would you please telephone this office, and we will be happy to pick them up from your offices.

With kindest personal regards, I remain

Sincerely yours,

BERTRAM NASTER
Certified Shorthand Reporter

Encls.
cc: Mr. Herbert J. Schoepke

DX-71

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil No. C-2413

UNITED STATES OF AMERICA, *Plaintiff*, vs. FIRST NATIONAL BANCORPORATION, INC., and THE FIRST NATIONAL BANK OF GREELEY, *Defendants.*	DEPOSITION OF LEE C. ASHLEY (Taken by Plaintiff)

PURSUANT TO NOTICE, the deposition of LEE C. ASHLEY, an officer of defendant First National Bancorporation, called by plaintiff for examination by leading questions under the Rule, was taken at the Trust Department Conference Room of the First National Bank of Denver, First National Bank Building, in the City and County of Denver, State of Colorado, beginning at the hour of nine o'clock in the forenoon of the 20th day of November, 1970, before Bertram Naster, a Certified Shorthand Reporter and Notary Public in and for the State of Colorado;

The plaintiff appearing by its attorneys, Mr. Herbert G. Schoepke, Mr. Eugene V. Lipkowitz, and Mr. Kevin D. Brenan, Attorneys, United States Department of Justice;

And the defendant First National Bancorporation appearing by its attorneys, Hughes & Dorsey, by Mr. Edward B. Close, of Denver, Colorado, and Metzger, Schwarz & McKenna, by Mr. Eugene J. Metzger and Mr. Carl W. Schwarz, of Washington, D.C.

WHEREUPON, the following proceedings were had:

LEE C. ASHLEY,

an officer of defendant First National Bancorporation, called by plaintiff for examination by leading questions under the Rule, being first duly sworn, testified as follows:

EXAMINATION

By MR. BRENAN:

Q. Would you state your full name for the record, please.

A. Lee C. Ashley.

Q. What is your address, Mr. Ashley?

A. 983 South Adams Way, Denver 80209.

Q. And what is your present employment?

A. Senior Vice President and Cashier of the First National Bank of Denver.

Q. Do you also hold any other positions with the First National Bank of Denver or First National Bancorporation or any of its subsidiaries?

A. Yes.

Q. Could you outline those positions, please.

A. I am presently Chairman of the Board of the First National Bank of Bear Valley, and I am also a member of the board of the First National Bank of Southglenn.

I am a member of the board of the First National Bancorporation and its Executive Committee, and its Treasurer. I believe that is about it.

Q. Are you also a Vice President of the First National Bank of Southglenn?

A. That's right, yes, I am.

Q. And in addition, are you in charge of the Operations Department of the First National Bank of Denver?

A. Yes.

Q. Is that as part of your job as Senior Vice President?

A. Correct, or Senior Vice President and Cashier.

Q. How long have you held the position that you now hold with the First National Bank of Denver?

A. About twenty-two years.

Q. And how long have you been with the bank in total?

A. Forty years and five months.

Q. Could you state roughly how your time is divided, in other words what percentage of your time is spent in each capacity?

A. Well, let me start with the First National Bank of Southglenn: Attending board meetings once a month, and infrequently Loan and Discount Committee meetings. That is about all the time I spent at present.

Presently, as Chairman of the Board of the First National Bank of Bear Valley, attending Discount Committee meetings maybe twice a month and board meetings once a month, and certain other committee meetings infrequently.

On the First National Bancorporation, attending Executive Committee meetings monthly and board meetings

monthly—no, board meetings quarterly, pardon me: and as a member of the Executive Committee, participating in the deliberations of that committee.

And as far as the First National Bank of Denver is concerned, I would say it takes about ninety per cent of my time.

Q. Now, the answer to Interrogatory 30 indicates that you were active in the formation of the three affiliate banks which are now also subsidiaries of the First National Bancorporation.

A. Yes.

Q. Could you, taking them one by one, describe your role in the formation of First National Bank of Northglenn.

A. I was a member of the board upon its formation. I was active in its Building Committee, which became active about six months or a year after the bank started. I participated to a degree in review of loans, loan applications. I think that is about it.

Q. Well, did you have anything to do with the actual decision to establish that bank?

A. I don't really know to what extent I participated. I participated in the discussions, yes, and recommended the decision be made, as one of several, yes.

Q. Could you describe what factors led you to recommend that this bank be established?

A. Well, there were a number. I assume that the most important would be that it provided one way for our bank to go where its present or prospective customers reside, at least in that quadrant of metropolitan Denver. I think this was perhaps the overriding consideration.

Q. Were there any particular characteristics about the Northglenn area that made that an attractive area to locate an affiliate in?

A. Well, I think our real motive in Northglenn, as well as the others in turn, is basically to go where our customers, as I say, are located. It seems to us that increasingly personal accounts are opened at a bank that is convenient to the residence, rather than where they work, at least to a considerable degree, and a lot of the population in Denver seems to be attracted to that area, and a lot or quite a number of our existing and potential customers live in that general quadrant of metropolitan Denver.

Q. Well, at that time, then, did you consider this to be a growth area in terms of population?

A. Oh, I think we had a feeling that it was growing, yes. It is a new area. There wasn't much in the way of history to go on, but it's a relatively new area, was at the time.

Q. I believe, then, the next affiliate that was formed was the First National Bank of Bear Valley. Could you describe your role in the formation of that bank.

A. Less directly involved than at Northglenn, but nevertheless was asked my opinion about it, and I again expressed my personal view that it would be a proper thing for the bank to consider, and substantially for the same reasons as at Northglenn, but simply applied to another quadrant of the metropolitan area.

Q. Would you say, then, that you also considered the Bear Valley area to be a growth area in terms of population?

A. There certainly has been some growth out there, yes.

Q. Was there anything else that particularly made that an attractive area to locate an affiliate?

A. Yes, because the level of average income appeared to be attractive. It appeared and does appear to be a stable kind of community. It seemed to us that there were real potentials, and we had some people living in that area who were employed by our bank, and so they contributed some first-hand knowledge of the area. It seemed like an attractive opportunity.

Q. And the third affiliate formed was the First National Bank of Southglenn. Could you describe your role in the formation of that bank.

A. I would say very similar to the other two. I don't characterize my connection as being much different in any of the three banks, basically, although I think it was perhaps more active in Northglenn than directly at Bear Valley. However, in Southglenn I did participate in the consideration of the matter and in the decision that we would enter that area.

Q. And were you in favor of that decision?

A. Yes.

Q. Could you explain why Southglenn was an attractive area to locate an affiliate?

A. Well, I think I personally felt convinced at the time

that, although it did not appear particularly attractive at the moment, that it might at some future time, perhaps three or four years down the road. I personally felt, on the other hand, convinced that we would very probably lose money at that bank for at least the first year or two; but I felt, as I say, that it should be, hopefully, in the future an attractive area.

Q. Has that proven to be true?

A. Yes.

Q. Would you say, then, that you also felt that the Southglenn area, at least in terms of the future, was a growth area in terms of population?

A. At the time we went in there, it didn't really seem to be particularly, not where the bank was located, and it's been much slower in that regard, frankly, than we expected. We still are glad we have the bank there, but its growth really has been less dramatic than I guess anybody would have hoped.

Q. In other words, when you located the banks, you anticipated more growth than as occurred?

A. Yes.

Q. How long did it take for the First National Bank of Northglenn to be a profitable operation?

A. Well, I certainly would be guessing. I don't honestly remember. I would say that it took about a year at Northglenn, a little less than that at Bear Valley, and a little more than that at Southglenn.

Q. All right, thank you.

A. That is, if—and I think I should qualify that comment to this extent—that these banks on their own, in my mind, would have had a very difficult time, without some help from us here.

Q. Could you describe the nature of the help that the First National Bank of Denver gave to these banks?

A. Well, I think it would cover the broad spectrum of the entire operations of each institution. I think it would be, number one, people; we contributed personnel that had some experience. I think this is the most important single thing.

We contributed advice on services. We contributed man power for specific situations, that the banks themselves would not have been able to supply.

For example, if we wanted to find out something more about the community, this bank would lend its help and

experience and knowledge in obtaining that information, to assist each one of the banks concerned. So I would say it was, number one, experience and people, and number two, the broad background of this bank that, of course, was not present in those particular areas.

Q. You also participated in the decision to form the First National Bancorporation. Could you describe your role in that formation.

A. Well, I was one of the founders along with the other officers, and did participate in discussions with the other officers, and in turn at least was present during the discussions of such a possibility in our own bank board. I am not a member of our board, but as Secretary I was probably—I would say that I did participate in the discussions, in the considerations that led to the formation of the Bancorporation.

Q. Were you in favor of the formation of it?

A. Yes.

Q. Could you explain why?

A. Well, for many reasons. First of all, I might make a personal comment, that in my opinion Colorado is a very backward state in not adopting a statewide branch banking system, and I still feel this way.

Since that avenue was closed, there appeared to be only two vehicles open for us to broaden our services more widely throughout the area, and to meet the growing needs of customers. One would be affiliate banking and the other would be a bank holding company; and we chose, for a number of reasons, to adopt the bank holding company route as more nearly fitting the—a logical alternative to the unavailable statewide branch banking avenue.

Q. Did you then view this as a way in which First National Bank of Denver could expand and become a statewide organization?

A. I think I would say that it is our hope to be represented as broadly as we can. If you say "statewide," I don't know what you mean by that term. If you mean literally being represented in every area of the state, I would suggest this probably is not realistic; but nevertheless, we do and did at the time, and do hope that we can be more broadly representing our services throughout the area.

Q. Was there any discussion, at the time that the Ban-

corporation was formed, as to how you would bring your services to other areas in the State of Colorado?

A. I don't think so, except to assume that each case would be different, and that each case should be handled as an individual situation, depending on the locality concerned, but with the objectives that I have mentioned.

Q. When you say "each case," what exactly are you referring to there?

A. Well, it might appear very advantageous to attempt to broaden our services in one community, and it might be very foolish to do so in another.

Q. Were there any discussions as to how you would bring your services to any particular community?

A. I think one—I would characterize our concept of opportunities as being varied. As indicated, prior to the formation of the Bancorporation, we thought that at least in metropolitan Denver there might be some advantage in trying to locate in the outlying areas of the City and County of Denver.

As far as outlying areas beyond that are concerned, I think our first preference has been made evident by our application, as representing our preference. And I think at least to us it seems obvious that if we are going to attempt to offer our services in the major population centers of Colorado, that we had best do it by utilizing existing experience in those areas, rather than our trying to either start a new bank in some suburban part of such a community, or even de novo. It seems to us our best opportunity would be, as I say, as characterized by the way in which we have so far filed our applications. I think this speaks for itself.

This is not, I might say, to rule out—and I think I did emphasize that we consider that different communities call for a different approach. The fact that we have filed in some of the major centers so far is not meant to indicate that this is going to be our only aproach, because it isn't, and I think you gentlemen are aware of some other ideas that this bank is thinking of, through your sources of information.

So I don't think it should be said that this bank is committed to one way of trying to extend its services outside of metropolitan Denver.

By Mr. Schoepke:

Q. Could I just interpose one short question? Mr. Ashley, a moment ago, you indicated that in connection with your general goal of extending your services in the state, that it might be advantageous to bring your services to one community and foolish to——

A. Right.

Q. ——to attempt to do it in another. I wonder if you would expand on that and tell us what considerations are involved.

A. Well, I can think of an obvious situation where a population in a particular locality is so small that it would be pointless, it would be extravagant and poor business judgment for us to attempt to form a bank in that particular area. There are many small towns in Colorado that, at least in my personal opinion, would not be fruitful, profitable areas for us to enter, or ones that offer great potential. There are some areas that are declining in importance. So I think this is a matter of business judgment. There is no magic about it.

Q. Well, now, what general considerations would enter into your determination as to the areas that might be advantageous to enter?

A. Those that are stable and offer a chance for the bank to do two things, to do what any business, I assume wants to do, and that is to invest profitably and in so doing to serve the public, to serve the consumers, the customers.

And I don't think our objectives are any different in that sense from anyone else.

By Mr. Brenan:

Q. Just one more question on the subject. I take it from what you said before that Bancorporation has not ruled out expanding de novo outside of the metropolitan Denver area, is that correct?

A. No, we haven't ruled it out. I am not personally aware of any situation where we are considering precisely that route. We are thinking of an industrial bank in Loveland. I don't know whether you'd call that de novo or not. In a sense, this is taking advantage of local know-how to a degree. True, it is an industrial bank, and I would be the first to say that an industrial bank and a commercial bank are not the same type of animal; but this is the only one

currently that we are thinking of specifically that we might approach with a de novo application. But I would certainly, in my own mind, not rule out the possibility, if the conditions seem favorable.

Q. Mr. Ashley, in the answer to Interrogatory 3—and I don't think you will have to refer to it, really—reference is made to a Hamilton Corporation, which it is said will provide computer operations for the subsidiary banks.

MR. METZGER: May I answer that?

MR. BRENAN: How do you know my question?

MR. METZGER: We never heard of the Hamilton Corporation and we haven't the foggiest idea how it got into our answer.

MR. BRENAN: I take it from that that there is no connection whatsoever with the Hamilton Funds?

MR. METZGER: That's right. This just came up yesterday, and Mr. Hogue said he was reviewing the answers and he became very curious when he read "the Hamilton Corporation," and he doesn't know where it came from, he doesn't know how it got into his answer, and there is no such critter.

Q. (By Mr. Brenan) Who does handle the computer operations for the subsidiary banks?

MR. SCHOEPKE: Here is the interrogatory answer.

MR. METZGER: I mean, the witness has no knowledge of it.

MR. SCHOEPKE: If you can answer it, fine. If not, why——

Q. (By Mr. Brenan) Mr. Ashley, are you any relation to Mr. Harry Ashley, who is the President of the First National Bank of Windsor?

A. None.

Q. Mr. Ashley, were you involved in the negotiations leading up to the agreement to acquire the First National Bank of Greeley?

A. No, not except very indirectly, as a member of the Executive Committee, as a member of the board of the corporation, of course—in those capacities only. Mr. Alexander did discuss some of the things with me as a matter of courtesy, but I didn't—no, I did not participate directly.

Q. Did you vote in favor of the acquisition of the First National Bank of Greeley?

A. I certainly did.

Q. Would you explain why.

A. Well, for all the reasons that are involved in the

First National Bancorporation's philosophy that since there is no such thing permitted as statewide branch banking in Colorado, and assuming we wish to grow and be healthy, offer additional services, fulfill a role in not only the Denver community but throughout the area in the best way we can, one of the ways and perhaps the best way available to us is to, in our opinion—was to enter such an area as Greeley, which appears to be a stable area. It has had a very fine history of contribution to the state. We think Mr. Gilbert is an able individual, we think he runs a good bank, basically, and we think this would provide us a perfectly natural opportunity to fulfill the role that the First National Bancorporation visualizes.

Q. Did you play any part in any of the other proposed acquisitions of First National Bancorporation?

A. Yes. First, as a member of the Executive Committee of the Bancorporation, secondly as a member of the board of the Bancorporation, and thirdly as an officer of the Bancorporation; I did in those capacities—yes, I did participate to a degree.

Q. Well, perhaps it would be best to take them one by one. Could you explain what role you played in the decision to acquire the bank in Colorado Springs?

A. I had nothing to do directly with the negotiations. When the negotiations had advanced to a point where it was deemed advisable to present the recommendation to the Executive Committee, it was only at that point that I participated.

Q. And could you describe your participation from that point on.

A. Well, the recommendations having been made and carefully reviewed, first with the Executive Committee, I participated in that consideration and was in favor of the application.

Q. Why were you in favor of that particular application?

A. I would consider my affirmation or my agreement to that, or my recommendation of approving that, would be the same basically as in the case of Greeley, and the same as far as Pueblo is concerned.

Q. Was your role in the Pueblo application similar to your role with greeley and Colorado Springs?

A. Right.

Q. How about the application for the bank in Sterling? What role did you play there?

A. No different.

Q. And were you in favor of that acquisition?

A. Yes.

Q. Could you explain why.

A. Well, that part of the state is one that, in my opinion, we could well enter. Sterling is not one of the dramatically increasing in population areas. However, it is a stable area; it is nevertheless an important agricultural segment of the state.

We think the bank is well managed, as testified by the fact that we brought in as Executive Vice President of this bank the erstwhile President of that bank. So again, we view this as being another opportunity to enter an area and broaden services in an area in which we are not represented.

By Mr. Schoepke:

Q. Mr. Ashley, you stated that you were not represented in Sterling. You have a correspondent bank there, do you not?

A. Yes.

Q. Who is your correspondent, if you know?

A. Security State Bank.

By Mr. Brenan:

Q. Could you describe what part you took in the decision to acquire the bank in Boulder.

A. Well, my participation in that is basically no different from any of the others. In none of these, including those that you have not yet mentioned, have I been directly connected with the direct negotiations. It is only when negotiations have reached a point that Mr. Alexander or Mr. Alexander and Mr. Close make a recommendation to the Executive Committee, that I begin to actively participate, where my views as a member of that committee are requested, and further after that, as a member of the board.

Q. Could you give us your views as to the Boulder application.

A. I am highly in favor of our making that application. I think it would be a proper addition to the First National Bancorporation.

Q. Why do you feel that would be a proper addition to the Bancorporation?

A. Well, just like the other areas, it is a very important population center of Colorado; it is one that has some growth and certainly has a history of stability. This is a bank we know well. We think we know what we are getting into. We think the bank needs help and we think we can make out of that bank something that would be a credit to Boulder and to this bank.

Q. What was your recommendation as far as the application to acquire the Montbello Bank?

A. Favorable.

Q. Why?

A. Well, the Montbello industrial area is one that does not have a bank in it, and if we obtain approval of the application for the Montbello State Bank, we will move—we plan to move that bank into that industrial and residential complex, and we believe that area directly within that geographical center needs a bank. And we think the Montbello State Bank, in its present location, with its present activities, does not fulfill a proper role for a community of that size.

Q. At one point Bancorporation was considering entering that area by chartering a new bank. Could you explain why that decision was made?

A. Why the——

Q. Why the decision to enter with a de novo bank was made. I know it was subsequently changed, but——

A. Well, I think the consideration of wanting to get in there was one which certainly would have encouraged us to try and enter with a de novo bank if there was no other way to do it. But the Montbello State Bank does have deposits, it does have a clientele, it does have a certain acceptance, and this therefore seems a more logical way to go in.

I would suppose that at least for some considerable time, in my opinion, it would be quite difficult to expect two banks to survive successfully, and there is no point in going in, obviously, if we are just going to have a nice little bank building and no customers.

Q. Is regulatory authority required to move a bank from one location to another?

A. Yes.

Q. Do you have any assurance that you will be able to

move the Montbello bank, once you get permission to acquire it?

A. Well, I don't know how to characterize that assurance. I think we have reason to believe that it would be a logical thing and that the State Bank Commissioner would approve. I am not personally aware of the precise extent to which this approval has or has not been assured.

I certainly have every reason to believe that we would be granted permission to move, because I have participated in the tentative plan to have such a bank, subject to the necessary approvals, located within the new seven-story structure that is located at 45th and Peoria, right across from the proposed shopping center.

By Mr. Schoepke:

Q. Mr. Ashley, you say you have "reason to believe." What is the basis of your reason for believing that you can move this bank, if and when you do acquire it?

A. Well, Mr. Alexander, for one, has so stated.

Q. Did he, in so stating, indicate the reasons that he felt that this approval was assured or could reasonably be anticipated?

A. Well, I don't know quite how to answer that. Of course, he'd be better able to answer that question directly than I would.

Q. Well, the only thing, obviously, that you can answer is what Mr. Alexander said to you on that subject in your presence.

A. Yes.

Q. What, to the best of your recollection, did he say?

A. Well, you have put your finger on it when you say to the best of my recollection, because I don't honestly recall precisely, but I do recall his having given me every reason to believe that we would have such permission. I can't for the life of me remember precisely the reasons.

That bank, the Montbello State Bank, is not doing famously, for one thing, as far as profits are concerned. The Montbello area needs a bank. It would seem to be logical that the Comptroller of the Currency would not be averse to having a bank located directly within that area, but I would be kind of guessing, frankly, on my recollection.

If the State Bank Commissioner permits it to be changed, I don't think—personally, I don't think there is any ques-

tion of that, because it would be moving it nearer a population center, which would seem to me perfectly logical. And I am kind of drawing on my guesstimates rather than my certainty, as to precisely what Mr. Alexander said.

Q. Well, do you recall whether or not he said that he had been in communication with any bank regulatory authority on the question of the possibility of moving the bank, if and when it was acquired?

A. It is my recollection he had been in touch both with the State Bank Commissioner and the Comptroller of the Currency, and based upon those very preliminary discussions—of course, it is not binding upon anybody, because the application hasn't been approved, but based upon those discussions, as I say, it is my recollection that this gave him a reason to feel assurance that the permission would be granted.

MR. BRENAN: That's all. Do you have any cross-examination, Mr. Metzger?

EXAMINATION

BY MR. METZGER:

Q. When you were cataloguing your various capacities with the Bancorporation and its affiliates, I believe you did not mention directly at that time that you are Secretary of the Board of the First National Bank of Denver.

A. Right. That's correct, I didn't.

Q. And if I may summarize your representation about the major contribution you felt you could make to the organization of the new subsidiaries, it was the addition of experience, competent management assistance—was that what you would believe to be the major contribution?

A. I would say it's experience plus the right kind of people, yes.

Q. Are you familiar with the present location of the office of the Montbello State Bank?

A. Yes.

Q. In your opinion, is that located convenient to the population centers which it is designed to serve?

A. I personally think it is a very unfortunate location.

Q. And would this be a reason why you would believe that the State Banking Commissioner would favorably view a move to a more desirable location?

A. I would think this would be an important reason.

MR. METZGER: No further questions.

MR. SCHOEPKE: Just one more short question. Mr. Ashley, when the First National Bancorporation commenced preparing an application for a de novo bank in the Montbello area, was the Montbello State Bank then in existence, do you know?

THE WITNESS: I'd have to say I honestly don't remember.

MR. BRENAN: We have no further questions, but we would just like to note that we continue this deposition to an indefinite future time.

MR. METZGER: And correspondingly with our notice of last time, we recognize no such right.

.....
(Signature of Witness)

Subscribed and sworn to before me
this ..... day of ....., 1970.
My Commission expires .....

.....
Notary Public

CERTIFICATE

State of Colorado
City and County of Denver } ss.

I, Bertram Naster, Notary Public and Certified Shorthand Reporter, State of Colorado, duly commissioned to administer oaths, do hereby certify that previous to the commencement of the examination of the said LEE C. ASHLEY, said witness was duly sworn by me to testify the truth, the whole truth, and nothing but the truth, and was thereupon interrogated as set forth in the foregoing deposition;

That the said deposition was taken in machine shorthand by me at the time and place aforesaid and was reduced to typewriting under my supervision;

That the foregoing is a true transcript of the questions asked, the testimony given, and the proceedings had;

That I am not attorney or counsel, or in any way connected with any attorney or counsel, for any of the parties to said action, or otherwise interested in its event.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal this ..... day of ....., 19...

My Commission expires June 9, 1974.

.....
BERTRAM NASTER,
Notary Public

DX-72

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil No. C-2413

UNITED STATES OF AMERICA, *Plaintiff,* vs. FIRST NATIONAL BANCORPORATION, INC., AND THE FIRST NATIONAL BANK OF GREELEY, *Defendants.*	DEPOSITION OF THEODORE D. BROWN (Taken by Plaintiff)

PURSUANT TO NOTICE, the deposition of THEODORE D. BROWN, called for examination by the plaintiff herein, was taken at the Trust Department Conference Room, First National Bank of Denver, in the City and County of Denver, State of Colorado, beginning at the hour of nine o'clock in the forenoon of the 23rd day of November, 1970, before Bertram Naster, a Certified Shorthand Reporter and Notary Public in and for the State of Colorado:

The plaintiff appearing by its attorneys, Mr. Herbert C. Schoepke, Mr. Eugene V. Lipkowitz, and Mr. Kevin D. Brenan, Attorneys, United States Department of Justice;

And the defendant First National Bancorporation appearing by its attorneys, Hughes & Dorsey, by Mr. Edward B. Close, of Denver, Colorado, and Metzger, Schwarz & McKenna, by Mr. Eugene J. Metzger, of Washington, D.C.

WHEREUPON, the following proceedings were had:

THEODORE D. BROWN,

called for examination by the plaintiff herein, being first duly sworn, testified as follows:

EXAMINATION

By MR. LIPKOWITZ:

Q. Would you state your name for the record.
A. Theodore D. Brown.
Q. And your address, please?
A. 6300 Greenbriar Drive, Englewood, Colorado.
Q. Would you describe your employment since law school.

A. Finished law school in June of 1948 and went to work for the International Trust Company in July of 1948. Left that institution in December of 1951, went to the Security State Bank of Sterling in January of 1952, and left that institution in January of 1970 to become Executive Vice President of First National Bank of Denver.

Q. Do you also have a role within the First National Bancorporation?

A. I am a director and member of the Executive Committee of the Bancorporation.

Q. Do you have a role in the acquisitions policy of the First National Bancorporation?

A. No more so than any other director or member of the Executive Committee.

Q. When you were with the Security State Bank in Sterling, what was your role there?

A. Well, I was the Vice President and Trust Officer when I went to Sterling. In 1962, I believe was the date, I became Executive Vice President of that bank, and then subsequently became President of that bank.

Q. Do you own any shares in Security State Bank of Sterling?

A. Yes.

Q. And do you do this directly or through the Brown Corporation or——

A. No, the stock that I own in the Security State Bank is in my own name.

Q. What is the Brown Corporation?

A. It is a family investment company which owns an interest in two insurance agencies and does hold stock in the Farmers State Bank of Yuma.

Q. To the best of your knowledge, is the First National Bancorporation now considering acquisition of that bank in Yuma?

A. No, sir.

Q. Does the Brown Corporation own any stock in the Security State Bank of Sterling?

A. No, sir.

Q. Do other members of your family own stock in either the Security State Bank of Sterling or the Brown Corporation?

A. Yes, my wife owns stock in both the Security State Bank of Sterling and the Brown Corporation.

Q. Would it be fair to state that your family controls the Security State Bank?

A. Well, I don't know how you are using "control." My wife and I do not own more than 50 per cent of the Bank of Sterling. Let me also state that her sister, my wife's sister, and her husband together own a little more than 40 per cent of the Security State Bank of Sterling, which is the same percentage of stock that my wife and I own.

Q. I see. Do you know of any other acquisitions of banks in Sterling that are pending at this point?

A. Well, only the one that was publicly announced about a week ago. The Colorado National Bancorporation, I believe, announced plans to acquire the First National Bank of Sterling.

Q. Do you anticipate that any of the acquisitions in Sterling will lead to any change in the correspondent relationships between Sterling banks and Denver banks, to the best of your knowledge?

A. Well, in the event that the Security State Bank acquisition is approved and goes through, I would anticipate no changes in that situation. It would be speculation, I guess, for me to try to guess what might happen with First National of Sterling. We do have a small correspondent account with them. Whether the new owners will see fit to continue it or not, I am not in any real position to say.

Q. "We" being the First National Bank of Denver?

A. "We" being the First National Bank of Denver.

Q. Do you happen to know who the major correspondent of the First National Bank of Sterling is, in Denver?

A. Well, I have been told it is the United Bank of Denver, but that is hearsay as far as I'm concerned.

Q. Who is the major correspondent in Denver of the Security State Bank of Sterling?

A. First National Bank of Denver.

Q. When did First National Bancorporation first discuss with the Security State Bank of Sterling this pending acquisition?

A. Well, my own conversations with officials of the Bancorporation probably go back three years or more, and that is even prior to the time that my coming back to the First of Denver was discussed.

Q. So at the time of the negotiations you were President of the Security State Bank?

A. That is correct.

Q. Was discussion of this acquisition in any way related to your change of job in coming to the First National Bank of Denver?

A. Not originally, because it came up before the subject of my coming back to Denver ever arose. Our relationship between the First of Denver and the Security State Bank is a very old one. The correspondent relationship goes back to the late twenties. The bank in Sterling was founded in '25, and I don't have the exact date that they opened the account in Denver, but it would have been between '25 and 1930. So we felt very close to them for all of those years.

Q. Could you describe the reasons why you recommended the sale of Security State Bank of Sterling to First National Bancorporation?

A. Yes. As a matter of personal philosophy, I suppose, it has been my convicition for some years that agriculturally oriented banks in rural communities are going to have a very difficult time growing and surviving to meet the needs of their customers, without access to more capital, without dependable access to a source of lendable funds.

I preached this doctrine for about three years as Chairman of the American Bankers Association Agricultural Committee, and I just happen to feel it quite strongly, and I felt it strongly in our own case in Sterling, and this was a primary matter of concern to me.

Q. Does not the First National Bancorporation stand ready to provide large agricultural loans to big feeders or packers, or through the overline facilities provide such money as is necessary to help their correspondents make such loans?

A. Well, the Bancorporation—this is a mere technicality, I guess—the Bancorporation as such has no correspondents.

Q. I'm sorry, I meant First National Bank of Denver.

A. Yes, the First of Denver has always been a leader in that kind of lending. We, I think, because of our long-time relationship, probably fared better in the matter of correspondent banking services during periods of very tight money than maybe some others; but I happen to feel that that is a rather tenuous tie to depend upon in the future.

Q. Do you anticipate continued tight money, in view of

this reduction for the second time within perhaps ten days of the prime rate out of New York?

A. Yes, I do. I think the prime rate change in the last ten days are things that we will have to live with, but I don't think they are going to be permanent. And certainly the demands for money in this area are not the same as the apparent ease in New York City.

Q. When did you enter into an agreement to sell the Security State Bank to the First National Bancorporation?

A. I don't have the exact date with me, but it was December of 1969.

Q. Did you at that point know you were coming to the First National Bank of Denver?

A. Yes, sir.

Q. When were you first offered the position with the First National Bank of Denver?

A. June of 1968.

Q. Could you say why it took you a year and a half to come here?

A. Yes, personal reasons. I have a family; I had a young daughter in high school, and I didn't want to disturb that. I had certain management situations in Sterling that I had to arrange for before I could leave.

Q. With whom did you first discuss the sale of your bank?

A. Bruce Alexander. Well, now, wait—the very first discussion, the one I referred to of some three years ago, which was really sort of nebulous and didn't come to anything, was with Mr. Adams. The first concrete discussions that led to the final agreement were with Mr. Bruce Alexander.

Q. Did you at any time contemplate offering your bank to any of the other bank holding companies in Colorado?

A. Not seriously.

Q. Were you aware at any point that Colorado CNB was interested in making an acquisition in the Sterling area?

A. No, sir.

Q. Did it come as a surprise to you when you read it in the paper the other day?

A. No, because I had heard the rumors last spring that this was being talked about.

Q. Do you hear any other rumors that perhaps any other

banks up in Sterling or Logan County might be acquired by any other bank holding company in Colorado?

A. Not—no, not at this time.

Q. When you first talked with Mr. Adams about three years ago, could you describe how the subject got around to the possible sale of the Security State Bank to the First National Bancorporation?

A. Well, as I say, it was a fairly informal conversation. In fact, as I recall, it was on an airplane. We were both going to the Federal Reserve Board meeting in Kansas City, and I broached the subject, discussed it in very general terms, along the lines that I have mentioned to you earlier—my convicition that something had to happen to permit country banks, as I know them, to grow and do a job in the community.

Q. How did the subject of the sale next come up?

A. I pursued it.

Q. With whom?

A. With Mr. Alexander.

Q. And this was how long ago?

A. Well, this was the conversation that culminated in the agreement of last December, and I suppose we started talking in the middle of 1969 relatively seriously.

Q. Back to the airplane, what did Mr. Adams say when you and he began to discuss this idea of selling the bank for the reasons you have described?

A. It was his feeling at that time that it was premature, that the Bancorporation itself wasn't far enough along in its own organization to think about acquisition out in the state, outside of the metropolitan area.

Q. What led you then to next pursue the subject with Mr. Alexander?

A. Well, two things. Again, my conviction that if our bank in Sterling were going to continue to do a job, we had to find some such solution for its long-range growth; and then secondly, by that time my employment in Denver had become a factor.

Q. Were you aware at that point of any other acquisitions by First National Bancorporation outside of the Denver area?

A. At that point?

Q. At the time.

A. You mean mid-1969?

Q. Yes.

A. Yes. I knew that they were talking with a Colorado Springs bank, I knew that they were talking with a Greeley bank, and I believe as of that time those are the only two that I was aware of.

Q. When the negotiations began in earnest in the middle of 1969, you say you were already aware that you were going to be coming to Denver to go with the First National Bank of Denver. Did this make for any difficulties in negotiating?

A. I don't think so. At that time my brother-in-law, which I guess isn't the legal definition—my wife's sister's husband entered into the discussions. We kept it at arm's length, and certainly in deference to their substantial investment in the bank it was my intent that it would be at arm's length, the transaction.

I might add to that, that just because I was coming to Denver, we were not interested in giving our bank in Sterling away to anybody.

By Mr. Schoepke:

Q. Mr. Brown, going back to the conversation that you had with Mr. Adams on the airplane, which you indicated was around 1965, if I recall your testimony you indicated that when you brought the subject up, Mr. Adams's general reaction was that Bancorporation wasn't far enough along in its organization to give serious consideration to the subject matter of acquiring your bank at Sterling. Did Mr. Adams indicate that the Bancorporation was in the process of being considered at that time?

A. Let me correct a misunderstanding. I don't think I said—I didn't mean to say five years ago, to the best of my recollection.

Q. 1965 is the date that——

A. No, I think I said 1967, three years ago, by which time the Bancorporation had been formed.

Q. You understood that it had been formed in '67 or that it——

A. I am not clear about the exact date, but at the time I had the conversation with Mr. Adams, the Bancorporation had been formed.

Q. Would you recall what Mr. Adams said with regard to Bancorporation and its formation?

A. I don't think any more so than I have already stated. It was a very sort of general and in-passing conversation on an airplane trip. We did not get into any details or specifics.

Q. Well, did you know at that time that there was any consideration concerning the organization of a holding company by the First National Bank of Denver?

MR. METZGER: I think the witness has said that the holding company had been formed at the time of the conversation.

THE WITNESS: That's correct.

Q. (By Mr. Schoepke) It was officially in existence, to the best of your knowledge, at the time of that conversation?

A. That's correct.

MR. SCHOEPKE: All right.

BY MR. LIPKOWITZ:

Q. Had you, when you were a president of a country bank, been in favor of or against the various proposals for branch banking in the State of Colorado?

A. Well, in 1962 I was Chairman of a Colorado Bankers Association committee to study branch banking. That committee came up with a majority report which proposed a form of limited branch banking, and I endorsed that majority proposal.

Q. Limited in what respect?

A. To area. It was a proposal for a limited metropolitan branching.

Q. But you have said that at some point in the sixties, at least, you felt that it was important that an agriculturally oriented bank link up with some larger banking organization to provide capital for farm loans?

A. That's right.

Q. How do you square those two signs?

A. I don't see any conflict in them.

Q. Well, the farm areas in the State of Colorado are generally outside the metropolitan area of Denver.

A. Oh, you mean—well, you didn't ask me if I had favored statewide branch banking, had that been the issue. It wasn't the issue at the time.

Q. I see. I take it, then, from that, you were in favor of statewide branching?

A. I would have been favorable to that, had that been the proposal, yes.

Q. Was there any discussion at the time as to the alternatives between branching by acquisition or branching by de novo branching?

A. No.

MR. LIPKOWITZ: Thank you. No further questions.

EXAMINATION

BY MR. METZGER:

Q. Mr. Brown, I believe you testified that you had been a correspondent of First National Bank of Denver for some forty-odd years. Was that a chief correspondent relationship all during that period?

A. Yes. I think early in the twenties the Security State Bank's chief Denver correspondent was one other than the First National, but that situation prevailed only for a few years, probably five. Since 1930 the First Denver has been the Sterling bank's principal Denver correspondent.

Q. And I believe you indicated that the negotiations for your return to Denver as one of the chief executive officers of the First National Bank of Denver preceded any serious negotiations for your bank in Sterling?

A. That's correct.

Q. And were they related, to your knowledge, in any way? Was the fact that your services were selected related to any suggestion they might want your bank as part of that transaction?

A. No, one was not a condition of the other.

Q. Now, you suggested that as an agriculturally oriented bank or banker in Sterling, you felt that you needed the lending capacity of an organization closely linked to your own, because of the rising trend of agricultural loans—rising costs associated with it. Is that the only reason that you felt this close association would be desirable?

A. No. I had a personal reason for it, a family-related reason, which was to convert our investment in a single agricultural bank into a more widely held, more liquid security. For estate planning purposes and family investment purposes, I felt that was advantageous.

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Q. Are there any other business reasons why the bank itself would find this relationship desirable?

A. Well, yes. A bank the size of the bank in Sterling has considerable difficulty attracting younger men, talented younger men in today's market. Apparently they tend to look upon a country town as sort of a dead end and a job in a country bank as sort of a dead end too.

Specifically, I have been trying to recruit a Trust Officer for the bank in Sterling for about a year and a half, and I have met with very little success. On two occasions, young fellows that I interviewed said "Well, can you assure me that the bank will become a part of the First National Bancorporation, and that I thereby will have some possibility of moving around or moving up, a wider field in which to operate?"

And, of course, at the time I could give them no such assurance. But that was a factor, in our judgment.

Q. And you weren't able to secure their services?

A. To date I have been unable to secure the services of a young man.

MR. METZGER: Thank you. No further questions.

FURTHER EXAMINATION

BY MR. SCHOEPKE:

Q. Mr. Brown, with regard to your last answer, is it your view, then, that the solution to the personnel problem of country banks is to make all country banks subsidiaries of large city bank holding companies?

A. No, sir.

Q. Is there any room for a country bank, under the difficulties that you have described?

A. Yes, there are areas which country banks are serving, which have not experienced the rate of growth that the northern Colorado trade area has experienced. Not all country banks have the same problems, by any means. We happen to be in a growth area because—largely because of the emphasis upon cattle feeding in the area.

Q. Where does the cattle feeding in that area take place?

A. Well, by numbers, it is located within probably a ten-mile radius of Sterling itself.

Q. You have feeding operations in Sterling?

A. Yes.

Q. The reason I asked, I know there is some reference in some of the interrogatory answers to a town called Brush, and there were some organizations mentioned there. One was Boxer, another was Weisbart—something of that sort?

A. That's right.

Q. Are those feeder operations?

A. That's correct.

Q. They're in that section?

A. Yes. Brush is in Morgan County, which is an adjoining county. We don't normally regard it as in the Sterling trade area and we don't service those customers out of Sterling.

Q. Do you ever participate in loans to those operations in the Brush area?

A. No, sir. When you say "we," are you speaking now of the Sterling bank or First National?

Q. Your Sterling bank.

A. The Sterling bank does not.

By Mr. Lipkowitz:

Q. As an owner, directly or indirectly, of a bank in Yuma, have you given any consideration to what would become of that bank, in light of your concern with the difficulties of attracting people to the bank in Sterling?

A. Well, that is a good example of what I meant when I said not all country banks have the same problems. Up until now, the Yuma bank has not experienced the problems handling the growth of the customers, that the Sterling bank experienced, and that is due largely to the different nature of the agricultural production in the two areas.

Q. Have you, as a director of First National Bancorporation, considered establishing a new bank in any of these growth areas around the State of Colorado where the services of such a bank seem to be needed?

A. Would you restate the first of that. Have I as a director of the Bancorporation, did you say?

Q. Yes.

A. No, not seriously.

Mr. Schoepke: May I ask another?

Mr. Metzger: Yes.

Mr. Schoepke: I don't mean to be picking on you from three directions; I'm trying to save time.

By Mr. Schoepke:

Q. With regard to your recruitment activity that you described, in which you experienced some difficulty, would you tell us, how did you go about attempting to recruit personnel needs of your bank?

A. Well, now, I am speaking specifically of my trying to recruit a Trust Officer.

Q. Trust Officer, yes.

A. Are we talking about that?

Q. How did you go about trying to recruit him?

A. Well, number one, I made it known to the Trust Department of the First National Bank of Denver that I was looking for somebody. Number two, I communicated with the legal counsel for Colorado Bankers Association, gave him the same message.

I communicated my need to the managing officer of the Colorado Bankers Association. We placed ads in a bank publication known as—what is the one out of Kansas City—Bank News. I contacted two professional placement agencies, one in Kansas City and one in Denver.

Q. Do you recall the names of those two placement agencies?

A. Well, the one in Kansas City is the agency that is associated with Bank News Magazine, and the one in Denver is called, I think, Placements, Inc.

Q. Did you get any responses at all from these?

A. Yes, sir.

Q. How many people did you interview?

A. Probably a half dozen.

Q. Did you give any offers to them?

A. Yes, sir.

Q. And they were rejected?

A. Yes, sir.

By Mr. Lipkowitz:

Q. How would Bancorporation handle the problem, assuming the acquisition of the bank in Sterling were to go through? Could they just simply assign somebody to go off and live in Sterling, with any assurance that he'd go?

A. Not with any assurance he would go. We had an interesting reaction from, I guess, the last fellow I talked with, who was one of the people who said, "Well, can you assure me that the Sterling bank will become a part of the

Bancorporation?'' And he indicated at that time that he would not be averse to going to Sterling if he felt that in the event he didn't like it or his wife didn't like it, he had some opportunity in one or two or three years to go back, to come back to Denver or to go to another bank owned by the Bancorporation in another population area.

By Mr. Schoepke:

Q. How are you carrying on your trust activities at this time?

A. Well, we have a young lady who is an administrative officer, who handles the detail, the operation detail.

The Trust Investment Committee, under the chairmanship of the president of the bank, operates, and we have counsel retained to handle the instrument analysis and this type of thing.

Q. Do you get any assistance from First National Bank of Denver as your principal correspondent?

A. Yes, sir.

Mr. Schoepke: I have no further questions.

Further Examination

By Mr. Metzger:

Q. At one point during your examination, Mr. Brown, you used the term ''growth area'' referring to Sterling and in another you used the term ''growth of customers,'' relating to Sterling. Could you explain what you meant by ''growth'' in that context?

A. Yes. I wouldn't classify Sterling as a growth area in terms of population. I don't think the census would support that observation. I had in mind the growth of the size of our borrowing customers and their demands for credit.

Mr. Metzger: Thank you. No further questions.

Mr. Lipkowitz: We will postpone any future questions to an indefinite future date.

Mr. Metzger: And the defense continues its objection to any continuation of the proceedings. The witness stands ready to answer any questions which the Government may have to ask at this time.

Thank you, Mr. Brown.

.....

(Signature of Witness)

Subscribed and sworn to before me
this ..... day of ....., 19...
My Commission expires .....

.....
Notary Public

CERTIFICATE

State of Colorado
City and County of Denver } ss.

I, Bertram Naster, Notary Public and Certified Shorthand Reporter, State of Colorado, duly commissioned to administer oaths, do hereby certify that previous to the commencement of the examination of the said THEODORE D. BROWN, said witness was duly sworn by me to testify the truth, the whole truth, and nothing but the truth, and was thereupon interrogated as set forth in the foregoing deposition;

That the said deposition was taken in machine shorthand by me at the time and place aforesaid and was reduced to typewriting under my supervision;

That the foregoing is a true transcript of the questions asked, the testimony given, and the proceedings had;

That I am not attorney or counsel, or in any way connected with any attorney or counsel, for any of the parties to said action, or otherwise interested in its event.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal this .... day of ....., 19...

My Commission expires June 9, 1974.

.....
BERTRAM NASTER,
Notary Public

DX-73

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. C-2413

UNITED STATES OF AMERICA, *Plaintiff,* vs. FIRST NATIONAL BANCORPORATION, INC., AND THE FIRST NATIONAL BANK OF GREELEY, *Defendants.*	DEPOSITION OF REX C. EATON, JR.

PURSUANT TO NOTICE AND THE FEDERAL RULES OF CIVIL PROCEDURE, the deposition of REX C. EATON, JR., executive vice-president of the defendant, First National Bank of Greeley, was taken by the plaintiff at 2:40 p.m. on Thursday, November 19, 1970, in the trust department conference room of the First National Bank Building, Denver, Colorado, before Thomas T. Tomko, Notary Public and Certified Shorthand Reporter, State of Colorado.

The Plaintiff appeared by HERBERT G. SCHOPKE, KEVIN D. BRENAN and EUGENE V. LIPKOWITZ, Attorneys, Department of Justice, Anti-Trust Division, Washington, D. C.

The Defendants appeared by EDWARD B. CLOSE, JR. of Hughes and Dorsey, Attorneys at Law, First National Bank Building, Denver, Colorado, and EUGENE J. METZGER and CARL W. SCHWARZ of Metzger, Schwarz & McKenna, Attorneys at Law, One Farragut Square South, Washington, D. C.

Also present, Messrs. Alejandro M. Gillespie and Robert M. Gilbert.

* * *

REX C. EATON, JR.,

the deponent herein, called by the plaintiff, having been first duly sworn, was examined and testified as follows:

CROSS-EXAMINATION

BY MR. BRENAN:

Q. Will you please state your name for the record.

A. Rex C. Eaton, Jr.

Q. And your address?

A. 1944 26th Avenue, Greeley, Colorado.

Q. What is your current employment, Mr. Eaton?

A. I'm executive vice-president of the First National Bank of Greeley.

Q. How long have you held that position?

A. Since approximately 1962.

Q. Have you held other positions with First National Bank of Greeley prior to 1962?

A. Yes, I have.

Q. Could you roughly outline those?

A. I was employed by the bank originally in 1956. I held the positions of assistant cashier, cashier, vice-president and cashier, vice-president and executive vice-president.

Q. Would you roughly outline your work history prior to your employment with the First National Bank of Greeley?

A. I graduated from the United States Naval Academy in 1948. I spent approximately 75 months on active duty as a regular Naval officer. Upon leaving the service, I attended Colorado State University for two years and then joined the bank staff in 1956.

Q. Mr. Eaton, the Answer to Interrogatory 31 indicates that you were assigned, along with Mr. Gilbert and Mr. Birch to work with Small, Cooley and Associates in preparing an application to organize a de novo bank in west Greeley.

Could you describe in your own words why First National Bank of Greeley was interested in this application?

A. To serve an area of Greeley that was an expanding area in population due to the growth of the community and to be able to set up an affiliate relationship where there would be some common directors and common management on a small suburban retail bank.

Q. Had the First National Bank of Greeley ever considered such expansion at any time prior to 1963?

A. Not to my knowledge.

Q. At the same time there were other applications pending for de novo offices in Greeley. Would you state who?

A. We understood that at the time the Greeley Bank was in the proces of preparing a similar application, later

in the same year the Weld County Bank did apply for a state charter for a different location.

Q. Do you know the order in which these applications were filed with regulatory authority?

A. It's our understanding that the Greeley National Bank filed theirs with the Controller of the Currency prior to the time we filed our application. It's my understanding that the Weld County Bank filed their application later in the same year after the decision had been made on the National Charter.

Q. Approximately how far was the area where Weld County Bank was applying as opposed to where First National Bank of Greeley was?

A. The exact location of the application filed with the Weld County Bank was never positively defined. It was defined within a radius of a certain point. So using that approximation, between a mile and a half and two miles, approximately.

Q. Would you say that that was designed to serve a different area completely than your application and the application of Greeley National Bank?

A. Yes, sir.

Q. Do you know what happened with regard to that application?

A. It's my understanding that it was approved, the charter was granted. It was never activated and subsequently revoked to clear it from the files.

Q. Do you know why they never acted upon their approval?

A. I'm not qualified to answer the question.

Q. I thought you might have heard something.

MR. METZGER: It was approved on August 21st, 1963, and approval was revoked on October 20th, 1964.

Q. (By Mr. Brenan) The Greeley National Bank at this time already had one affiliate in the town of Greeley, is that correct?

A. That's correct.

Q. When did they apply for that, do you know?

A. If we had a Bank Directory here, it will give the date.

MR. METZGER: It was organized in 1962.

THE DEPONENT: So they would had to have applied some time in '62 or the latter part of '61.

Q. (By Mr. Brenan) Were there any discussions at that time among the officers of First National Bank of Greeley making any application for that bank to get an office in the same area?

A. In that area, the growth was pretty well blocked as it was developed, because it borders the town of Evans, Colorado, and that restricted future growth in the direction that the Cache National Bank was servicing.

Q. What I meant was some sort of a competing application.

A. We didn't feel that there was merit to applying for another charter in that location because of the inability to make two banks in that area profitable.

Q. I don't mean two banks now. I mean when they applied for Cache National, did you ever consider applying for a similar application to the one you made in 1963 to try and get it instead of the Greeley National Bank?

A. No, not to my knowledge.

Q. Had there ever been any discussions prior to 1963 of First National Bank of Greeley making an attempt to organize a new branch bank?

A. Not in the time that I was privy to that type of information.

Q. Did the 1963 application signify sort of a change in outlook by the First National Bank of Greeley?

A. I think a desire to serve the citizens of the community.

Q. True. But what I'm driving at is was there some sort of a change in philosophy there whereby they decided that the community possibly could be served by expanding to another bank rather than just by expanding perhaps their own service offered by the First National Bank of Greeley?

A. I would say no.

MR. METZGER: Off the record.

(Discussion off the record.)

Q. (By Mr. Brenan) More recently there has been another investigation instigated by First National Bank of Greeley with regard to possible de novo expansion.

A. It was instigated by principals associated with the bank but not by the bank. I don't know that I can add

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anything to the comments that were made prior by Mr. Gilbert on that particular subject. I am familiar with what has taken place.

Q. Mr. Gilbert didn't mention the name of the director who asked that the study be instigated. If you don't mind, could you?

A. The member of our board who was developing with his associates that area is Ernest B. Scott. However, the decision to make the study was made by the entire group of men serving on the board.

Q. In their official capacity?

A. No. As individuals.

Q. When exactly was the request made of Small, Cooley and Associates to conduct the study?

A. We have a copy of it. The report of Small and Cooley was made approximately four weeks prior to that time. The report was rendered to Mr. Gilbert and myself under date of March 10th, 1969. As I can best recall, it was four to six weeks in preparation.

Q. So that would make the request sometime around the end of January or the beginning of February? I notice that the letter sent to yourself and Mr. Gilbert by Mr. Small is addressed to the First National Bank. You have stated that there was not a formal request of the bank but of individuals.

Is there any reason why it was sent to the bank?

A. I would have to assume that, because he met in our offices and that he took the bank title when he sent the covering letter.

Q. Is there any connection whatsoever with the request made to Small, Cooley and Associates to conduct this study and the discussions and subsequent agreement with First National Bancorporation to become part of the holding company?

A. The request was made prior to any discussions with First National Bancorporation, to the best of my knowledge.

Q. During the discussions with First National Bancorporation prior to the agreement, was the study brought up?

A. The option that has been discussed by Mr. Gilbert was mentioned, and that resulted—that became a reality as a result of the study.

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Q. Did you take part in the discussions with Colorado National Bank at the time they were considering forming a holding company and approached your bank?

A. Part of these discussions, yes.

Q. Could you describe what occurred at those?

A. Specifically in one discussion it was Mr. Charles Baird who came to Greeley, and I met with him to provide him certain financial data pertaining to the First National Bank of Greeley so that they could use that in preparing information to be used in arriving at an exchange ratio.

On another occasion I met with Mr. Gilbert and other members of the Colorado National Bank and CNB Bankshares in Denver when certain figures were presented as a result of an analysis of the financial position of the holding company and the member banks and our own First National Bank of Greeley.

Q. But this was when Colorado CNB Bankshares already was a holding company and was considering bringing in First National Bank of Greeley?

A. That is correct.

Q. What I had reference to was that there were prior discussions, were there not, at the time that Colorado National Bank became a holding company?

A. As I believe was reported in Interrogatory 31, there was a phone conversation, I believe, some time in 1964 between Mr. Robert M. Gilbert and Mr. Melvin Roberts when the question was asked, "Would the First National Bank of Greeley be interested in becoming a member of a holding company if it should be formed?"

Q. Do you know what the response to that question was?

A. To the best of my knowledge, "We might be interested," and there was nothing that took place for sometime after that.

Q. They never approached you again?

A. Not until July 1, 1968.

Q. I apologize for some of my questions which may be repetitious. But could you discuss the substance of your meeting with Mr. Baird with regard to the 1968 inquiry of Colorado Bankshares?

A. Providing Mr. Baird with certain annual reports, book values on property held, both real and personal property owned by the bank, earnings figures for the past sev-

eral years, financial data of that nature that they could use for analysis purposes.

Q. And were you present at the meeting in Denver when Colorado CNB Bankshares made the offer to First National Bank of Greeley?

A. I was.

Q. What was your reaction to that offer?

A. Well, they gave us a positive figure that we could then—that was presented to our board of directors, as Mr. Gilbert reported earlier.

Q. The Answer to Interrogatory 31 states that you and Mr. Gilbert reported your recommendation back to the board of directors.

Would you tell me what specifically your recommendation was with regard to that offer?

A. We questioned the wisdom in accepting it.

Q. In other words, you did not?

A. We did not recommend that it should be accepted.

Q. Did you recommend that it be rejected or did you just not make any recommendation at all?

MR. METZGER: I think if we recommended that it not be accepted, we need not go much farther.

MR. BRENAN: Well, you could just present the fact and let the board make their own decision.

MR. METZGER: We have gone beyond that. We said we recommended it not be accepted.

MR. BRENAN: I'm sorry. He didn't exactly say that. I won't quibble.

Q. Also in February and March, 1969, you worked with First National Bancorporation in the discussions leading up to the agreement to acquire First National Bank of Greeley.

Could you describe exactly what your function was there?

A. Meeting in conjunction with Mr. Gilbert and primarily Mr. Alexander and Mr. Close to provide financial data pertaining to the First National Bank so that it could be analyzed, and then in turn working with and analyzing their figures so that we could evaluate the offer that was subsequently made.

Q. Were you present when the offer was made by First National Bancorporation?

A. I was.

Q. And what was your recommendation to the board of directors with regard to that?

A. My recommendation, I think, as has been stated earlier by Mr. Gilbert, was that this offer be considered be accepted.

Q. At the time that you were having these discussions with First National Bancorporation, were you aware of the proposed formation of Affiliated Bank Shares of Colorado?

A. Chronologically speaking, I would say yes, to the best of my memory.

Q. Did that have any bearing on your desire to become affiliated with a holding company?

A. I don't personally feel that it influenced our decision one way or the other.

Q. Mr. Eaton, in response to our Rule 34 request, we received several documents from First National Bank of Denver in which your name is mentioned in connection with certain requests you made to them with regard to business referrals. These documents are numbered pages 1404 and 1411 of the defendants' response to plaintiff's Rule 34 request. I note that both of these documents were written after the acquisition agreement had been entered into. And my question is, were similar requests made prior to your agreement to become part of First National Bancorporation?

A. Yes, we tried to select any correspondent that we felt had the best ability to approach a prospect.

Q. This is one of the services that a correspondent bank offers to you, is that correct?

A. We hope so.

Q. I take it then that simliar requests also would have been made to your other correspondent banks in Denver?

A. We have made requests to other correspondents, yes.

Q. Mr. Eaton, during Mr. Gilbert's deposition this morning the subject of Agricultural Credit Corporation which First National Bancorporation proposes to set up in Greeley came up. And Mr. Gilbert stated that you would be more qualified than he to explain exactly what such a corporation would do and what the benefits of it would be.

A. I don't think that the corporation would be established in Greeley. It would be established in the Bancorpo-

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ration, and any member bank of the Bancorporation would have access to the use of that corporation.

MR. SCHOEPKE: I didn't get the name. What corporation?

A. Bancorporation, First National Bancorporation. Any member of the Bancorporation would be entitled, if they had a loan that qualified, to avail themselves of the use of the Agricultural Credit Corporation. This permits, under the proper establishment, whereafter, for the first year agricultural loans on a ratio, I believe, of four to one of capital, can be sold or discounted to the Federal Intermediate Credit Bank. And in fact, the first year the successful operation of the corporation has been demonstrated, then you can increase the ratio to seven to one of only agricultural loans.

Q. (By Mr. Brenan) Now, in connection with this, who would actually make the loan, the bank or the corporation?

A. The bank would make the loan, and through the corporation—the bank would make the loan on behalf of the credit corporation.

Now, that answer might sound a little bit confusing, but the bank personnel would actually do the paper work for the credit corporation.

Q. So at the time the loan is made, the paper or whatever it would be would be owned by the Agricultural Credit Corporation?

A. If they accepted it.

Q. And then could you roughly describe what steps they would take to dispose of this paper, or whatever?

A. Well, the required documentation as required by the Intermediate Credit Bank would be reviewed, and if they agreed to buy the paper, then funds would be advanced and they would take—own the paper, but it would be serviced by the bank.

Q. So, in other words, the paper would be owned by the Federal Intermediate Credit Bank?

A. On a discount basis, right.

Q. And to whom would the borrower repay the money?

A. He would repay the money to the credit corporation, who would in turn then remit the funds to the federal agency that discounted the paper.

Q. Could you describe how it is that you can increase

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the dollar volume of loans that you can make through this medium?

A. I think just by the fact that you can discount paper at the rate of seven to one times your capital, that in itself creates the fact that the Federal Intermediate Credit Bank will buy that many more dollars than your capital in the company.

Q. Is that each year or——

A. Total outstanding.

Q. Are there any similar agricultural corporations in the Greeley-Weld County area?

A. There was one mentioned this morning, I think High Plains. Reference was made by Mr. Gilbert to a credit corporation owned by the South Platte National Bank. There was another mention made this morning of a Bankers AG Credit Corporation. Those I know are operating in Weld County.

Q. Do these outfits function in the same way as your proposed proposal?

A. To the best of my knowledge.

Q. Also during Mr. Gilbert's deposition this morning mention was made of possible plans to relocate the Monfort feed lots, and Mr. Gilbert stated that you might know more about that. Could you state what you do know about those plants?

A. Well, all I can state is that I heard a comment at a social event by a member of the staff of Monfort that there was a possibility that they might have to relocate their oldest feed lot within a five to ten-year period. It wasn't a positive statement, but that they felt that with the pollution consideration that is there and with the public interest in pollution control, that that possibility might well exist. But to state that they are in the process of acquiring a site, I think that would be a little premature.

Q. What specific kind of pollution are they referring to, do you know? I don't mean what is causing the problem. I mean what kind——

A. Primarily air. Conceivably there would be some degree of water pollution, but it's primarily air.

Q. Does the First National Bank of Greeley do any business with the First National Bank of Denver's loan production office in Greeley?

A. Yes, we do.

Q. Would you describe the nature of that business?

A. The First National Bank of Greeley tries to work with the loan production office to provide permanent financing for residents of our community on primarily single-family housing. The First National Bank of Greeley does not have a specific real estate loan department.

Q. When you get a request, do you refer it, is that it?

A. We try to, unless we can make it as a conventional loan from our own portfolio.

Q. How long have you lived in Greeley?

A. I was born in Greeley.

Q. Would you describe it as a growth area?

A. I think other than the years I was away at school and in the service, that it has been a stable growth area. And by stable, I mean it has not had the rapid influx over a short period of time. It has been a reasonably steady growth area.

Q. Have there been any recent renovations of your banking facilities?

A. Yes, there have.

Q. Would you describe those renovations just generally?

A. We relocated our accounting and check-processing function to the lower level, which, prior to that time was an undeveloped part of our building. We relocated our installment loan department, added an additional drive-up walk-up facility, increased our parking facilities, relocated our trust department, and redecorated the interior of the bank.

Q. When was this done?

A. It was completed in approximately early 1969.

Q. And why did you undertake these renovations?

A. We needed additional space, and the bank hadn't been repainted and decorated since we moved into the quarters in 1958.

Q. Would you describe your bank as a retail bank?

A. (Conferring with counsel) Could I ask what you mean by "retail"? I will give you my definition in answer to the question.

Q. Fine. Do that.

A. We are a retail bank to a certain degree. We do not consider our agricultural financing and our business financing in the true retail sense of the consumer financing and to what limited degree we participate in consumer loans or

individual real estate loans. Of our total loans I would estimate today that approximately eleven to twelve per cent are handled in our installment loan department.

MR. BRENAN: I have no further questions. I think Mr. Schoepke has some questions.

Q. (By Mr. Schoepke) I don't mean to pursue this ad infinitum, but in Bankers Agricultural Credit Corporation, to the extent you know, is that connected with the federal government in some way? Is it part of an agricultural department of an agricultural program?

A. The government agency that discounts the paper is financed through the sale of agency bonds which are not guaranteed by the federal government.

Q. I see. That's the Federal Discount Agricultural, or the Intermediate——

A. The Federal Intermediate Credit Bank.

Q. Now, it's to that bank then that the Agricultural Credit Corporation takes their paper to be discounted after the loan is effectuated?

A. Yes.

Q. Now, if you know, who charters the Federal Intermediate Credit Bank?

MR. CLOSE: Off the record.

(Discussion off the record.)

THE DEPONENT: Yes, I would have to say it's an agency of the federal government. Well, I can't honestly answer the question from personal knowledge.

MR. LIPKOWITZ: Who charters these Agricultural Credit Corporations?

A. The Federal Intermediate Credit Bank, I'm certain.

MR. CLOSE: Off the record.

(Discussion off the record.)

MR. SCHOEPKE: Back on the record.

Q. (By Mr. Schoepke) Is it necessary, Mr. Eaton, for a bank to be a member of a holding company in order to utilize the service of one of these agricultural credit corporation?

A. You mean to establish such a corporation?

Q. No. If a corporation is in existence, is it necessary that you be a member of a holding company in order to take advantage of it?

A. They do not need to be a member of a holding company if they have the money to capitalize the agricultural credit corporation.

Q. If you had as a correspondent bank a bank which was a member of a holding company which had one of these credit corporations, would you, pursuant to normal banking practices, expect that your correspondent would assist you in discounting your agricultural loans with the Agricultural Credit Bank?

A. I would have to make this assumption, because I would assume that your customer then would have to go directly to the correspondent bank that has the corporation in order to participate in the agricultural credit borrowing. I'm not certain and I don't know the answers to that specifically, whether they could buy the paper from the correspondent and then in turn discount the paper that they didn't originate.

Q. Do you happen to know whether it would be different if you were a member of a holding company, if the originating bank were a member of a holding company?

A. The credit corporation originates the paper.

Q. But the bank does the paper work, as I understand it?

A. The bank will tend to assist in servicing much of the paper work.

MR. SCHOEPKE: No further questions. Off the record. (Discussion off the record.)

MR. BRENAN: Do you have any cross-examination?

MR. METZGER: Yes, I do have one question.

EXAMINATION

BY MR. METZGER:

Q. Mr. Eaton, are you familiar with the lending policies of the First National Bank of Greeley?

A. Yes, sir.

Q. Can you describe to us whether or not First National Bank of Greeley has made any bank stock loans to officers of the Fort Lupton State Bank?

A. We have made loans to officers, but not for the purpose of purchasing bank stock in the Fort Lupton State Bank.

Q. Personal loans?

A. Personal loans and real estate loans.

MR. METZGER: Thank you. That's all.

MR. SCHOEPKE: I just want to ask a few questions.

RE-CROSS EXAMINATION

BY MR. SCHOEPKE:

Q. What rate do you charge?

A. Never below the prime rate at the time the commitment was made, and in some instances a half per cent above the prime rate.

MR. BRENAN: We would just like to note for the record that we continue this deposition to an indefinite future time.

MR. METZGER: Same notice.

(The deposition was concluded at 3:10 p.m.)

.....

REX C. EATON, JR.

Subscribed and sworn to before me this .... day of ....., 19...

My Commission expires _____.

.....

Notary Public

CERTIFICATE

State of Colorado }
City and County of Denver } ss.

I, THOMAS T. TOMKO, Notary Public and Certified Shorthand Reporter, State of Colorado, duly commissioned to administer oaths, do hereby certify that previous to the commencement of the examination of the said REX EATON, JR. said witness was duly sworn by me to testify the truth, the whole truth, and nothing but the truth, and was thereupon interrogated as set forth in the foregoing deposition;

That the said deposition was taken in machine shorthand by me at the time and place aforesaid and was reduced to typewriting under my supervision;

That the foregoing is a true transcript of the questions asked, the testimony given, and the proceedings had;

That after the deposition was transcribed, the same was submitted to the deponent for reading and signing by means of a letter of notification, a copy of which is hereto annexed (that to date there has been no affirmative response by the deponent and said deposition remains unsigned, and the same is filed herewith pursuant to the provisions of Rule 30 e. of the Federal Rules of Civil Procedure);

That I am not attorney or counsel, or in any way connected with any attorney or counsel, for any of the parties to said action, or otherwise interested in its event.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal this .... day of ....., 19...

My Commission expires December 9, 1972.

.....
THOMAS T. TOMKO
Notary Public

NASTER & TOMKO
CERTIFIED SHORTHAND REPORTERS
AMERICAN NATIONAL BANK BUILDING
DENVER, COLORADO 80202

DECEMBER 14, 1970

Mr. Rex C. Eaton, Jr.
Executive Vice-President
First Nat'l. Bank of Greeley
Greeley, Colorado

Re: Depo. of Rex C. Eaton, Jr.
USA vs. First National Bancorporation, No. C-2413, 11-19-70

Dear Mr. Eaton:

Your deposition in the above case is now ready for you to read and sign. Please make an appointment by telephone and come in within the next twenty days, or let us know if you need more time. We will endeavor to make an appointment at a time convenient for you.

The Court rules require that your deposition be filed promptly. If after twenty days we have not heard from you, your deposition will be filed with the Court without your signature.

Very truly yours,

THOMAS T. TOMKO
Certified Shorthand Reporter

cc:

DX-74

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. C-2413

UNITED STATES OF AMERICA,
Plaintiff,

vs.

FIRST NATIONAL BANCORPORATION, INC., AND THE FIRST NATIONAL BANK OF GREELEY,
Defendants.

DEPOSITION OF ROBERT M. GILBERT

PURSUANT TO NOTICE AND THE FEDERAL RULES OF CIVIL PROCEDURE, the deposition of ROBERT M. GILBERT, president of the defendant The First National Bank of Greeley, was taken by the plaintiff at 10:00 a.m. on Thursday, November 19, 1970, in the trust department conference room of the First National Bank Building, Denver, Colorado, before Thomas T. Tomko, Notary Public and Certified Shorthand Reporter, State of Colorado.

The Plaintiff appeared by HERBERT G. SCHOEPKE, KEVIN D. BRENAN and EUGENE V. LIPKOWITZ, Attorneys, Department of Justice, Anti-Trust Division, Washington, D. C.

The Defendants appeared by EDWARD B. CLOSE, JR. of Hughes and Dorsey, Attorneys at Law, First National Bank Building, Denver, Colorado, and EUGENE J. METZGER and CARL W. SCHWARZ of Metzger, Schwarz & McKenna, Attorneys at Law, One Farragut Square South, Washington, D. C.

Also present, Messrs. Rex C. Eaton, Jr. and Alejandro M. Gillespie.

* * *

ROBERT M. GILBERT, the deponent herein, called by the plaintiff, having been first duly sworn, was examined and testified as follows

CROSS-EXAMINATION

BY MR. SCHOEPKE:

Q. Would you state your name for the record, please.
A. Robert M. Gilbert.

Q. Mr. Gilbert, where do you reside?

A. 1506 47th Avenue, Greeley, Colorado.

Q. And what is your present principal occupation?

A. President of the First National Bank, Greeley, Colorado.

Q. And for how long have you been president of the First National Bank of Greeley?

A. May 1, 1963.

Q. You have never been connected with the Greeley National Bank?

A. I never have. A minor stockholder.

Q. Mr. Gilbert, just as a starter, if you would trace your career starting, let's say, from your graduation from college and how it came about that you went into the banking business?

A. I graduated from the University of Colorado Law School in 1938 and was admitted to practice in Colorado in the same year, and I returned to Greeley where I started a practice and continuously practiced except for war service in World War II until May 1 of 1963, when I was asked to become president of the bank. I had gone on the Board of the First National Bank in Greeley in 1958.

Other than my experience as a Board member, I had had no banking experience until I became president of the bank on May 1.

Q. And you have occupied the position as president ever since 1963?

A. Yes.

Q. Mr. Gilbert, I would like to direct your attention to Defendants' Answers to Interrogatory No. 50 which is concerned with the major stockholders of the First National Bancorporation, Denver, and the First National Bank of Greeley. And I notice that listed as holding approximately 14,000 shares of the First National Bank of Greeley, constituting about 9.37 per cent of the total shares, is the Monroe Corporation. Are you familiar with the Monroe Corporation?

A. Yes. It's a Colorado corporation wholly owned by my wife and myself.

Q. There are no other owners besides you two?

A. No.

Q. Are there any other members of your immediate

family that own stock in the First National Bank of Greeley?

A. No.

Q. How about your brother, does he own any stock?

A. No. Well, excuse me. I was thinking of my immediate family. My brother is a minor shareholder in the First National Bank of Greeley.

Q. Do you know offhand how many shares he owns?

A. I think in the neighborhood of 300 or 400 shares.

Q. And what is your brother's name?

A. Carson C. Gilbert.

Q. Now, in the same Interrogatory Answer No. 50, the Monroe Corporation is listed as owning 13.33 per cent of the Fort Lupton State Bank, is that correct?

A. Yes.

Q. How did it come about that the Monroe Corporation acquired 13.33 per cent of the Fort Lupton State Bank?

A. Jack Dalton, who was the chairman of the board of the Fort Lupton State Bank, called me and said he wanted to sell approximately 400 shares of the bank at that time and wanted to know if I was interested in buying. He later changed his mind and said he only wanted to sell a hundred shares, and I decided to purchase it.

Q. When you say "I," are you referring now to Robert Gilbert or to the Monroe Corporation?

A. No. I'm referring to the Monroe Corporation.

Q. Does 400 shares represent 13.33 per cent? That was your only purchase, is that correct?

A. Yes. They had a stock split some time ago. I'm not sure of the details of the split.

Q. Do you recall the approximate time that the Monroe Corporation purchased this interest in the Fort Lupton State Bank?

A. I can't be accurate. I can get it for you quickly, but it was approximately three years ago, I think.

Q. And the stock split?

A. That occurred about a year ago, I think, last January.

Q. Would you refresh my recollection? I believe you mentioned this, but how many shares did you originally buy?

A. I thought it was a hundred shares and I thought the split was two for one, which would make it 200. But I'd have to check my records to be accurate on it.

Q. Would you do that for us?

A. Yes.

Q. Now, when you were first approached about the possibility of purchasing on behalf of Monroe Corporation this stock in the Fort Lupton State Bank, how long was it between that first approach and the time that you actually purchased the stock?

A. A relatively short period of time. I can't tell you exactly. There was a further relationship which led to my being asked to purchase. Mr. Rhoades formerly owned the bank, and Mrs. Rhoades was a relation, a distant relation, of my wife. And consequently there was an old distant family relationship involving my wife and Mrs. Rhoades that had gone on for years.

Q. Was that the only reason that prompted you to buy the stock?

A. Basically, yes.

Q. Were any economic reasons concerned with the condition of the bank or the growth of the area?

A. No. Mainly I think when Mrs. Rhoades died, Mr. Dalton, who was her son-in-law, I think he needed some money, and it looked like an advantageous purchase to me, and I decided to go into it.

Q. Well, why did it look like an advantageous purchase to you?

A. Well, as I recall, the purchase price was about book or slightly—it was about book. It didn't pay dividends, which was an attractive feature to me at that time, and it just looked like an advantageous purchase. Also at that time I think they were our only correspondent account, and I thought it wise to have that kind of a relationship with the correspondent bank.

Q. You made reference to the book value. Had you investigated the past history of the book value of the bank?

A. Very little. No detailed investigations. Merely by looking at their annual statements.

Q. Well, were you familiar with their book value?

A. Only through a perusal of their annual statements.

Q. Well, from that perusal, did you reach a conclusion as to whether the book value was going up during the period of your perusal or going down?

A. I bought it fairly quickly. I was only generally familiar with the profit record of the bank. Well, based

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purely on the balance sheet and the required statements, it appeared to me that it was selling at about book value and it looked advantageous in that respect.

Q. What did you know at that time about the profit record of the bank?

A. Again, only what I had learned from examining their annual statements or their regular file statements. It looked like it was well run. Bill Burns was the president of the bank at that time and still is. It looked like it was a well run bank and it was making reasonable profit.

Q. Was it growing in deposit size?

A. Slightly. Not a great deal. But it was growing some.

Mr. Schoepke, if I may go back to your question on the number of shares, on October 10, 1967 I purchased 100 shares at $350 a share. And on February 4, 1970, there was a two-for-one split. So I received an additional 100 shares. So the information in the Interrogatory is in error. It's 200 shares of stock which I owned.

Q. So the number 400 is incorrect?

A. Yes, it is.

Q. But does 200 constitute 13.33 per cent of the shares?

A. As I recall, there were 15——

MR. SCHOEPKE: Why don't we go off the record.

(Discussion off the record.)

Q. (By Mr. Schoepke) Now, I would like to direct your attention to Interrogatory Answer No. 32, Mr. Gilbert. That is the one indicating people who participated in the discussions leading up to the agreement between First National Bancorporation and First National Bank of Greeley, whereby First National Bancorporation would acquire Greeley as a member of its holding company. And one of the persons listed as having participated in those meetings was Robert M. Gilbert, president of the First National Bank of Greeley.

Would you tell us how did it come about that negotiations or contact was first made with the First National Bancorporation of Denver?

A. We had previously negotiated with the Colorado National Bank and arrived at proposals that were unacceptable to our board. And having known Mr. Gene Adams, president of the First National Bank of Denver, casually in school, in college, I asked the board for permission to con-

tact him and see if they were interested in some kind of an affiliation relationship.

Q. Now, how did you contact Mr. Adams?

A. By telephone.

Q. And would you tell us, to the best of your recollection, when you called him on the telephone, what you said to him and what he said to you?

A. It's been quite a while ago, and I'm hazy. But I think I told him that we were interested in exploring the possibility of an affiliate relationship in a holding company and wondered if their bank was interested. It was a very brief conversation, as I recall it. And I told you earlier I think it was a telephone call. I think it was, although it could have been that I called on him in Denver here. I'm not sure on that, Mr. Schoepke, but it was a very relatively brief conversation.

Q. Did you tell him why you were interested in an affiliation?

A. I don't recall, but I don't believe so.

Q. And what did Mr. Adams say at that time?

A. He was noncommittal, as I remember. He said that they would certainly bring it up before their people and get back to me as soon as he could.

Q. And what was the next contact you had with anyone from the First National Bancorporation concerning this matter?

A. Again, I'm a little hazy, but I believe Gene called me back and said that Bruce Alexander with their bank and Ted Close would call me and make an appointment. In any event, Mr. Close and Mr. Alexander did set up an appointment. They came up to Greeley and met with me and then met with Mr. Eaton and myself several times, two or three or four times.

Q. Now, at that first meeting that was held in Greeley, I believe you indicated it was Mr. Bruce Alexander and Mr. Ted Close. Do you recall a discussion that took place at that particular meeting?

A. In a general way.

Q. To the best of your recollection, what did you say to them and what did they say to you?

A. As I recall, I told them that we had recently determined that we were not satisfied with proposals made by the Colorado National Bank; that our board was interested

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in exploring the possibility of becoming a member of a holding company; that if the First National was interested by reason of the name, the joint names, the First of Greeley and the First of Denver, we were interested in exploring it further with them and seeing if we could arrive at any kind of an agreement.

A meeting was held at my home. Their response, I think, was mostly eliciting general information at that time, rather general information on our makeup of our bank, capital, surplus, loans, just general information relating to the bank, the number of our directors and who they were. The information was of a very general character.

Q. Now, you stated a moment ago, I believe, that you told Mr. Alexander and Mr. Close that your Board of Directors had determined to seek an affiliation with a holding company. When did your board first come to the determination that they wished to consider the possibility of affiliating with a holding company?

A. In February or March of '69 after Eaton and myself had met with the representatives of the Colorado National Bank and reported back to the board. The board then authorized me, in a very general way, to contact Mr. Gene Adams, president of the First National Bank of Denver, with no specific authority, other than to determine whether or not there would be any grounds for affiliation with that bank.

Q. I'm not referring now at the moment, Mr. Gilbert, to your specific contact with First National Bancorporation. I'm referring to the time that your board first considered and decided to look into the possibility of affiliating with the holding company.

MR. METZGER: With a holding company?

MR. SCHOEPKE: Yes. Well, I believe he made that statement in one of his answers a while back.

A. You mean with the First National Bancorporation or with any holding company?

Q. In reference to a statement you made, that your board had considered affiliating with a holding company. I'm just trying to go back to the time when you first decided in general to consider affiliation with a holding company.

MR. METZGER: With a holding company?

MR. SCHOEPKE: Yes.

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A. This, to the best of my knowledge, would have been back in probably, oh, the middle of 1968, in July, August, about that time, when the board authorized us to explore holding company affiliation possibilities with the Colorado National Bank of Denver.

Q. Now, was this authorization given to you at a board meeting?

A. I can't recall for sure, but it probably was. It's probably somewhere in the minutes. I didn't prepare very much of the material, but I assume it was. Off the record.

(Discussion off the record)

MR. METZGER: I would like to correct the record on the Answer to Interrogatory No. 50. You had been advised by Mr. Gilbert that he purchased 100 shares on October 10, 1967. The American Bank Directory, spring edition for 1970, which lists year-end capital posture, indicates a capital of $150,000 at a $100 par. That would be 1500 shares, which would have given Mr. Gilbert 6.67 per cent of the outstanding stock of the Fort Lupton State Bank. The stock split on February 4th, 1970 would have increased the holding by 100 shares. So it would have retained the same percentage of ownership, namely, 6.67 per cent.

MR. SCHOEPKE: Then by stipulation we will correct Interrogatory Answer No. 50.

MR. METZGER: On this subject, Mr. Gilbert, do you know how many directors there are of the Fort Lupton Bank?

A. I can't tell you, Gene. There are four, I believe.

MR. METZGER: Are you one of them?

A. No, I'm not. Mr. Dalton, the chairman of the board, Mr. Burns, and one other that I can't remember. I believe there are either three or four.

MR. METZGER: Do you vote your stock?

A. I send in a proxy.

MR. METZGER: For these directors?

A. Do you want this in the record, who the directors are?

MR. METZGER: No. Just the number of them, the Fort Lupton State Bank.

MR. SCHOEPKE: Do you want to go off the record?

MR. METZGER: The Fort Lupton State Bank has as directors, W H. Burns, J. H. Dalton, C. F. Greene, L. H. McCain and J. L. Sears.

THE DEPONENT: I have never attended an annual meeting or solicited any directorship in the bank.

MR. METZGER: That's all I have.

Q. (By Mr. Schoepke) Going back now, Mr. Gilbert, to the time that your board first authorized you to explore the possibility of affiliation with a holding company, do you recall the substance of the discussion on this matter prior to the authorization? To the best of your recollection, could you tell me what you said and what those present said?

A. Now, is this on the affiliation with the First National Bank or the bank before that?

Q. The bank before that, when the idea of affiliation with a holding company first was considered by your board.

A. The initial thought of discussions were generated by conversations emanating from Melvin J. Roberts, who was president of the Colorado National Bank. It could have been back as far as 1964 or '65, in very general and casual conversations. Nothing specific. As I recall it, there was reference to the fact that maybe we ought to give some consideration to the two banks sitting down and talking about it. Nothing specific was ever done until sometime in the middle of 1968.

Q. Just so that I get my time frame correct, in mid-1968, the decision of the board to explore the possibility of a holding company was prompted by the contact that you then had with the Colorado National Bank on the subject?

A. Yes.

Q. I was going to go into that later, but as long as we keep getting back to it, maybe we can cover it now.

Could you tell us how the matter of possible affiliation with Colorado National Bank first came up, other than those casual conversations that you mentioned, in '64 and '65.

A. I think——

MR. METZGER: You mean how did it first come up other than when it first came up?

MR. SCHOEPKE: Well, he said there were casual conversations.

After 1964 and 1965, when did the matter next come up?

A. In July or somewhere mid-1968, Mr. Roberts was asking for more specific information. I think Mr. Eaton

might be able to remember this. But I think Charlie Baird, their trust officer and vice-president of the bank, I believe, came up and began to request more specific information as to our earnings, the general operation of the bank. And this was followed by one or two conferences in Denver, where Mr. Rex Eaton and I, still in rather general terms, discussed it further with Mel Roberts and some of his people.

Q. Well, after your casual conversations with Mr. Roberts in '64 and '65, did nothing happen between then and the time when these gentlemen from Colorado National Bank came up and started to ask for more specific information?

A. No. We had gotten to the point where Mr. Roberts invited Mr. Eaton and I to Denver to attend a fairly formal meeting where they, for the first time, made specific proposals as to an exchange ratio and went over in some detail the relative statements, balance sheets of the bank. And it was at this point, as I recall it, that any specific proposal was first made. And this was probably in February, as I recall, January or February—probably February of 1969.

Q. Did Mr. Roberts or any other person from Colorado National Bank tell you why they were interested in acquiring First National Bank of Greeley?

A. Only that he felt and stated to us that he thought a holding company relationship obviously was going to be the way that the banks were going to extend their area of operations over the state; that he didn't feel that the branch-banking law in the State of Colorado was going to change very rapidly. By that time, of course, the Denver U. S. National Bank, now the United Bank, had begun its series of acquisitions, particularly the one in Greeley. I think he just felt that it was a beneficial thing for the banks, to propose an affiliation.

Q. Did the fact that Denver U. S. Bancorporation had acquired the Weld County Bank have any bearing on the decision of your board to consider affiliation with a holding company?

A. I think so. Other than what our board expressed, I can't fathom what each member had in his mind, but I think, yes, they were.

Q. Give us the substance of the conversation.

May the record show that Mr. Metzger is whispering to the witness again.

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MR. METZGER: If the record may also show that Mr. Schoepke has been whispering with his co-counsel, for whatever both representations are worth.

MR. BRENAN: We are not being deposed.

MR. METZGER: More is the pity, sir.

A. I think our board obviously began to consider the benefits and the advantages of holding company relationships with the prime example of the Weld County Bank having joined the Denver U. S. National Bank at this time. We began in management primarily but in board meetings also to be more cognizant of what the banking relationship in the State of Colorado was beginning to be. We began to explore the proposed advantages of branch—I mean of the holding company concept. Part of it, and most of it, Mr. Schoepke, probably emanated from management, Mr. Eaton and myself in the early discussions.

Q. Well, the fact that the Weld County Bank had affiliated with Denver U. S. was a factor that prompted you to consideration affiliation yourself, is that not so?

A. I'm sure it led us to go into the concept of this more deeply than we had before. We began to explore the advantages of this type of relationship as far as personnel, advertising, diversification of our stockholdings so our stock would have a more ready market. We began to be aware and cognizant of this type of advantage.

Q. Well, why did the particular acquisition of the Weld County Bank by Denver U. S. prompt you into considering these other factors that you took into account?

A. Well, it really didn't. I think, as I said, the impetous came from the Colorado National Bank. This brought our decision—brought our thinking to a head, where we began to give serious thought to whether or not we wanted to form this type of relationship with anyone.

Q. Now, after you and Mr. Eaton came to Denver and talked to Colorado National Bank, what if anything occurred with respect to this matter of possible affiliation with the Colorado Bank shares after that?

A. After we returned from this meeting with the Colorado National Bank in Denver, we reported to our board, and the board, as I recall, made a determination at that meeting that this proposal was unacceptable, and instructed us—instructed me, particularly, to go into the further possibility of a relationship with the First of Denver.

Q. Could you tell us why the proposal of Colorado CNB Bankshares was unacceptable?

A. One of the main reasons, I think, was that the board felt there was a broader diversification and a more ready market for the First National Bancorporation stock. Another obvious reason was that the financial proposals that had been made by the Colorado National Bank were completely unacceptable to the board.

Q. You mean the exchange rate?

A. Yes, the exchange ratios. I think that further consideration was the one I mentioned before, that we were the First of Greeley and they were the First of Denver. The name affiliation was of some importance. I suppose the board attached some significance to the fact that the First of Denver, as a commercial bank, had wider contact over the Rocky Mountain area than the Colorado National Bank had.

Q. I believe you stated in your last answer that the board had considered that there was a relatively ready market for the stock of your bank.

MR. METZGER: I don't think the witness made such a statement.

MR. SCHOEPKE: Could you read that last answer, the beginning of it?

(Record read)

Q. (By Mr. Schoepke) Now, Mr. Gilbert, with respect to your previous answer a moment ago, that the board was of the view that there was a more ready market for the First National Bank of Greeley stock——

MR. METZGER: Counsel, that is the same thing. That isn't what he said. What he said was there was a ready market for the First National Bancorporation, not the First National Bank of Greeley.

A. Yes.

Q. (By Mr. Schoepke) The First National Bank of Greeley?

A. Yes.

Q. I'm sorry. Well, then, at that time did you consider affiliation with any other holding company in the State of Colorado?

A. No, we didn't.

Q. And could you give us the reason why you didn't explore any further than First National Bancorporation of Denver?

A. I think partly because—mainly because no one else made any specific proposals, and probably secondarily, that we had already met with the Colorado National Bank people. We at least were exposed to their approach on their idea of affiliating and the exchange ratios. I think with theirs and with the First of Denver, we felt that we had at least some exposure to the proposals that were made by these two bank holding companies, and we had a general knowledge of what was equitable and what was fair.

Q. Well, in point of time, you mentioned both your contact with Colorado CNB and First National. Were you in communication with both Colorado CNB and First National concerning the possibility of acquisition at the same time, or was there an overlap of time there?

A. Yes, to some extent, but only in this regard: I felt, and I think Mr. Eaton did too, a moral obligation to the Colorado National Bank to advise them that we were negotiating with the First of Denver. I very definitely at least did not want this to be based on a bidding situation, and it was not. At the same time, I thought I owed—we felt that we thought we owed the Colorado National Bank a moral obligation of advising them that we were discussing the proposed affiliation with the First of Denver.

Q. Now, do you recall when you first advised the Colorado National Bank that you were negotiating with First National Bancorporation.

A. To the best of my recollection, I think probably after we had had two or three meetings with the First of Denver. Now, wait a minute. I'm not sure, Mr. Schoepke. But it was shortly after we had met with the First of Denver.

Q. Did you at all indicate to Colorado National Bank any terms that had been proposed to you by First National Bancorporation?

A. I don't believe so.

Q. Do you recall how soon after your first contact with First National Bancorporation the Colorado CNB made the offer that you indicated your board was dissatisfied with?

A. CNB Bankshares made the first proposal to us, and after our board had declined that proposal, it wasn't until

then that we began to negotiate with the First of Denver. It was months after.

Q. But there was an overlap? You continued to be in communication with the Colorado National Bank?

A. I guess I get the drift of that question. As I recall, after a short time after our meeting, our first meetings with the First of Denver, I advised Mel Roberts, I believe by phone, that we were negotiating and had met with people from the First of Denver and that I thought he should know that. In point of time I would guess it was within two weeks after we had first talked to the First of Denver.

Q. Well, how did Mr. Roberts convey to you the offer of Colorado CNB with respect to acquisition?

A. Verbally at the meeting which Mr. Eaton and I attended in Denver, sometime early in 1969, February, I believe.

Q. Well, when did you indicate to him that that offer was not satisfactory?

A. I think I advised him within a week or two weeks that our board was not satisfied with the proposal and that we weren't willing to give him any positive answer on it.

Q. Did you at that time indicate to him whether you had received any positive proposal from First National Bancorporation?

A. I think in point of time I advised him, first of all, that our board was not satisfied, and I think this was prior to any negotiation with Mr. Adams, although this followed almost shortly after that.

Q. Did you indicate to Colorado CNB or to Mr. Roberts or any other officer that you might consider a better offer from them, or did you just turn it down flatly?

A. I don't think I put it that way. I think, obviously, the point of notifying him that we were dealing with somebody else was to give him an opportunity to do anything they wished to do. We had had a long and pleasant correspondent relationship with them and we felt this was only decent.

Q. Did Mr. Roberts indicate to you that his bank or his holding company might be interested in reconsidering making a different offer?

A. No, I don't believe so.

Q. The matter ended right there?

A. Yes, except that I kept him apprised of what we were doing.

Q. Now, this brings us back then to the negotiations with First National Bank of Denver or First National Bancorporation of Denver. I would like to go back then, if I may, to the meeting that you described as having taken place at your home, when Mr. Alexander and Mr. Close came to see you. Could you tell us what if anything occurred at that meeting?

A. Well, I can't recall whether Mr. Eaton was there or not. He was at most of the meetings. But at the first meeting, as I recall, we discussed in very general terms the possibility of a proposed affiliation. As I said earlier, we went into general areas where we might be of benefit to each other. I think they described some of the areas in which they thought they could be useful and helpful to our bank, into the area that we were serving, this sort of thing, basically, and whether or not we felt that our—we had arrived at an exchange ratio that our two boards would accept. It was this type of discussion mainly.

Q. Did they indicate to you why they felt your bank could be of advantage to their organization?

A. Only in general ways. We had had an account relationship with the First of Denver prior to the time our charter was granted. They were our oldest affiliate relationship. We had always had a close relationship with them, although our main correspondent was Colorado National Bank. I think they felt, because of the relationship, the overlines that they serviced for us, that this was a logical affiliation.

Q. Well, did they say nothing at all about their program, if any, for state-wide expansion and where your bank would fit into that?

A. Very little as I recall it. We got into practically no discussion at all about future acquisitions. I think they generally said that they intended to embark on a program of acquisitions. I think we had the feeling at that time, Mr. Eaton and I, that maybe they were a little behind the Denver U. S. in aggressively promoting new acquisitions, but they really didn't discuss with us any specific proposals, as I recall.

Q. Did you talk at all about Greeley as a community?

A. Yes.

Q. What was discussed with respect to Greeley?

A. Well, again, I think Mr. Alexander particularly was pretty well acquainted with Greeley. They handled all the lines for our bank as well as, I think, both of the other large banks there. Mr. Close was representing the First in a legal capacity. I don't think he was so familiar, but we generally discussed Greeley, what we thought about its potential growth, what part we thought our bank would play in that growth, that type of conversation.

Q. You have lived in Greeley most of your life?

A. All my life except when I was in the service.

Q. And would you describe Greeley as a growth area or stable area or a declining area?

A. In my judgment, it has always had a steady and consistent growth. It hasn't been by splurges like Boulder, for instance, or Fort Collins more recently. Greeley has always enjoyed, as a center of agricultural area, a steady, slow, progressive rate of growth.

Q. Now, the Answer to Interrogatory 32 indicates that there were a series of meetings in Greeley. And I wondered if what you have been testifying about covers this series of meetings or——

A. Generally, I think we have.

Q. Can you delineate specific instances in terms of specific meetings?

A. As I recall, we had three meetings at my home with the people, or most of the people, that we have advised you of. We would meet in the morning. My wife would prepare a lunch. And then we would discuss the affiliation a little later in the afternoon. And I think, to the best of my recollection, we had three of those meetings at my home. I think it was at the third meeting that an exchange ratio was proposed to us.

Q. And when the exchange ratio was proposed, what if anything did you do?

A. We conveyed it to our board at the first opportunity. I don't recall when that was. But we meet twice a month, approximately every two weeks, and we conveyed it to them and got their reaction to it.

Q. And what was the board's reaction?

A. At that time the board's reaction was that it was a favorable alliance with an old and trusted correspondent. I think they were enthusiastic about it.

Q. So that you accepted the first offer that was made by First National Bancorporation?

A. I think that's correct.

As far as the board is concerned, Mr. Eaton and I in our discussions with Mr. Alexander and Mr. Close and Mr. Fitzgerald, who was there at one meeting, I think we discussed the various proposals that were made. No, I don't think it's correct to say that we accepted the first proposal made. Our board may have, but I think management, Mr. Eaton and myself, deliberated with them and discussed various things.

Q. And these discussions took place over this series of meetings in your home?

A. Yes.

Q. But ultimately it culminated in the offer that was made by Mr. Alexander which you conveyed to the board?

A. Yes.

Q. And did you recommend your approval to the board?

A. Yes. Mr. Eaton and I both recommended acceptance of it.

Q. Now, while you were having this series of meetings with Mr. Alexander and Mr. Close, did you advise your board of the fact that these meetings were taking place?

MR. METZGER: I believe the witness has already testified that he actually received approval from his board previous to negotiating.

MR. SCHOEPKE: Well, this goes beyond that.

As you were conducting the negotiations which the board had authorized to conduct, did you keep your board advised?

A. Yes, but we never called any special meetings, to the best of my knowledge. And when the boards met, we advised them of what had happened and what had taken place.

MR. SCHOEPKE: In this respect, may we have the minutes of the board, at least those portions concerning these negotiations during this period?

MR. METZGER: On this question, counsel, I have examined, since you first raised this point at this deposition, the Interrogatories under the Rule 34 motion filed, and I am unable to ascertain what paragraph you feel these come under. I did not see anything which I would have interpreted as calling for such documents. We have no

desire to withhold anything from you, but we are of the opinion that your Rule 34 motion as framed to date does not call for documents of this class. I would be happy to supply you with such material on a subsequent or an informal basis, or I would be happy to discuss with you any paragraph which you feel relates to it. But we do feel that we have complied fully with the Rule 34 motion as framed.

MR. BRENAN: In that compliance, you gave us board meetings of the First National Bancorporation discussing this merger.

MR. METZGER: Because board meetings of the First National Bancorporation were specifically asked for at our meeting in the board room of the First National Bancorporation on the twelfth floor of this building. We discussed that as a specific request, and it was specifically complied with.

MR. BRENAN: At that time I thought we also asked for the same thing from the First National Bank of Greeley.

MR. METZGER: No. As far as I know, the First National Bank of Greeley has answered.

MR. SCHOEPKE: Well, we will file a supplemental request.

MR. METZGER: That will not be necessary, Mr. Schoepke. All I wanted to make clear for the record was that we at this point do not feel we have to.

MR. SCHOEPKE: I am not in a position to technically concede or deny that fact.

THE DEPONENT: If you do want it though we'll get it for you.

MR. SCHOEPKE: Subject to Mr. Metzger's discussion.

MR. METZGER: I will discuss that with Mr. Schoepke.

MR. SCHOEPKE: Let's take a short break.

(Recess)

Q. (By Mr. Schoepke) Mr. Gilbert, in your Answers and also in some of the documents that were produced pursuant to our Rule 34 motion, we gather that First National Bank of Greeley has had occasion in the past to consider the organization of affiliate banks. And in this connection I would direct your attention to the application submitted for the proposed new bank in west Greeley. Now, this was in 1963?

A. Right.

Q. I wonder, could you tell us how it came about that

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you undertook to file an application for a bank in west Greeley or the western part of Greeley?

A. As you just said, it was done in 1963. I had come into the bank on May 1 of '63. I think Mr. Eaton and the former president of the bank, Mr. Birch, were aware of the fact that our chief competitor, the Greeley National, had already acquired one affiliate, the Cache National Bank, and were aware of the fact that they have either had or were about to apply for a charter in the same general area. I think this brought it to a head and prompted us to make our application.

Q. Why did you pick this particular area?

A. The growth trend in the Greeley area, outside of the southern part of the city, seemed to be the western part of the city. That was basically the reason for picking that site.

Q. Had you reached any conclusion as to how you were going to finance this new bank?

A. Yes. We had polled our board to see whether they would take stock in the new bank in the same ratio as they held stock in our bank. And they had general agreement that the board members would be willing to contribute stock in that same ratio.

Q. Did your board members own more than 50 per cent of your stock?

A. No, our board did not and does not.

Q. Well, then, I'm just wondering, did you misspeak yourself. If your board members agreed to take the same proportion of stock in the new bank, they wouldn't have control of it, would they?

A. No. We felt that if we were willing to do this, that our shareholders would probably go along in sufficient numbers to accomplish the capitalization of the new bank.

Q. I see. Did you ever present a proposal to the stockholders?

A. No, I don't believe we ever did. Mr. Eaton could check me on this, but I don't believe we ever did.

MR. METZGER: As a technical matter, Mr. Schoepke, a new charter doesn't get to that stage until after it has been approved by the agency, board actions, agency approval, stockholders approval.

Q. (By Mr. Schoepke) Now, you mentioned that your

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competitor, the Greeley National Bank, had an application pending there. To refresh your recollection, on page 24 of the application, it is indicated that there was also an application pending in that general area by a new bank to be known as the Columbine State Bank, which was to be an affiliate of Weld County Bank. Does that refresh your recollection?

A. Yes. But I don't believe that was in the same general area. I think that came later and was for approval to operate in a different area, generally, on south of our bank about five blocks and almost due south of our bank. I don't think it was in the same general area.

Q. Well, I gather that your application was disapproved?

A. Yes, it was.

Q. And the application presented by Greeley National Bank was approved?

A. Yes.

Q. Do you happen to know why that decision was made?

A. We never had any specific reason from the regulatory authorities. We had gotten some kind of information that it was because they were the first to file in point of time. I don't know whether that was the reason or not.

Q. Now, did you ever have occasion thereafter to consider the organization of an affiliate bank?

A. No, not really. We have considered early this year at the request of one of our directors who was promoting a shopping center in the south part of this city the possibility of acquiring a site for a bank. And, of course, this would then lead to the consideration of whether we would apply for a charter in that area. But it never has gotten to that point yet.

Q. Have you conducted any economic studies?

A. Yes, we had one made early in this year by Small and Cooley, I think it was, the same people who had done some work for us back in 1963.

Q. Well, now, was this study made by Small and Cooley conducted in connection with this particular possibility of a bank in the shopping center that your director was promoting?

A. Primarily for two reasons: one, to determine whether or not they thought this was a feasible and logical site for a new bank; and secondarily, whether or not the market capacity was there. So it was, in part, a feasibility study

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on location and also on whether or not they thought there was sufficient market to be generated to make a bank profitable.

Q. Well, now, could you tell us what the present status of the matter is concerning the possibility of organizing a bank in this shopping center which one of your directors is promoting?

A. Yes. An option was taken in the name of the Monroe Corporation, as I have advised which is a wholly-owned corporation of my wife and myself, purely for convenience, and not by our board but by the men who made up the board in their individual capacity. That option was taken and has been assigned verbally to the First National Bancorporation. It has not been exercised. And under its terms it does not have to be until some time in June of 1971. And then there is some provision, I believe, for an extension after that time by small payment.

The further status of it, to bring you up to date, is that our option and our determination of whether to exercise our option depended on the offeror giving us certain things, and one was the firm lease from Montgomery Ward; the second was the beginning of a development of residential area to the west of it, surrounding it. And there were a couple of other conditions, none of which have yet been met. At the last report it appears unlikely that Montgomery Ward is going to be there. So that at the present moment, we don't know what the situation is.

Q. Would you tell us where in Greeley this proposed shopping center is located?

A. Yes. The site that we have under option is the southeast corner of 23rd Avenue and the US 34th by-pass.

Q. And approximately how far is that from the First National Bank?

A. Our bank is located on 9th Avenue and 11th Street. This is 23rd Avenue. 14 blocks west and 19 blocks south.

Q. What are blocks in Greeley?

A. A block is usually 400 feet. So it's 14 blocks west and 19 blocks south of our present location.

Q. Would you say about two or three miles?

A. Yes, about two or three miles.

MR. SCHOEPKE: Off the record.

(Discussion off the record.)

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Q. (By Mr. Schoepke) Now, this question of an option for a new bank, was that discussed at all with the board of directors of the First National Bank of Greeley?

A. Not as a board of directors. Usually after a board meeting we would discuss it as individuals. We did not discuss it with the board.

Q. But did you discuss it with the other directors as individuals?

A. Yes.

Q. Now, could you tell us why it was that the option was negotiated in the name of the Monroe Corporation?

A. Purely convenience. We did not want our competitors to know that we were taking—that the bank was taking an option. The Monroe Corporation is a relatively unknown entity.

MR. METZGER: Up to now.

Q. (By Mr. Schoepke) So I take it you wouldn't like it if we went around Greeley telling all about the Monroe Corporation?

A. It isn't publicly known. It's publicly known to our competitors by now.

Q. Well, if it is, it's not through us.

Now, are you familiar with the general economic condition of this area on which you have the option?

A. Yes, generally.

Q. Do you anticipate that it's going to be an area of growth in Greeley?

A. In my opinion, not without the concurrence of those conditions that I just enumerated. And only then if it becomes a major type shopping center. If it's a small neighborhood shopping center, I don't anticipate a great deal of growth in that general area.

Q. You are familiar, of course, with the Monfort feed lots?

A. Yes, sir.

Q. Are you at all familiar with their future plans with respect to location of their feed lots?

A. Not specifically. I note generally that they have constructed a new lot generally west of La Salle, west and a little south of La Salle, which would handle, I suppose, 150,000 head. And I have heard rumors that they may

move their north lot to that location, but I only have hearsay knowledge.

Q. Where is La Salle located?

A. La Salle is about three and a half, four miles south of Greeley on the Denver highway.

Q. Does Monfort have an account with your bank?

A. He has one. Monfort Packing Company, I believe, has one account with us, and they are a relatively dormant and inactive account.

Q. Does he have any loans outstanding?

A. We have had a loan with them at various times, and I believe they are using the loan commitment at the present time.

Q. But you have not discussed with him or with the Monfort organization directly the future plans and location of feed lots?

A. No, I have not.

Q. Do you know if anyone in your organization has?

A. Mr. Eaton is well acquainted with him and might have some information.

MR. METZGER: If that lot is moved to this location we're talking about now, you can forget the shopping center.

MR. SCHOEPKE: Maybe you ought to talk to Mr. Monfort.

Q. Mr. Gilbert, I would like to direct your attention to Interrogatory Answer No. 40. I note from that answer that on January 25th, 1966, First National Bank of Greeley increased its capital from 1,000,000 to 1,200,000, and its surplus from 1,000,000 to 1,300,000. Could you tell us the reason for that action?

A. Let me just look at this a moment. This was our undivided profit account which had reached a rather high level, and we thought it was just wise to make a transfer into capital. And I think also at the time we discussed the fact that it did increase our lending capacity, not significantly, but to some extent.

Q. All right. And I notice also that on November 23rd, 1967, again the surplus was increased from 1.3 million to 1.5 million. And I wonder if I might ask the same question with respect to that.

A. The same reason. Neither transaction was a result of any regulatory request for authority. It was simply that

our retained earnings account was high and we transferred it in, and it did increase our lending limit to some extent.

Q. And on February 23rd of 1968, there is a similar increase in capital from 1.2 million to 1.5 million. Does the same answer apply to that?

A. Yes. That was on February 23rd, wasn't it?

Q. February 23rd, 1968.

A. Yes.

Q. Now, Mr. Gilbert, coming from where you do, I take it you are familiar with agricultural loans.

A. Yes, not as thoroughly as our executive vice-president, Mr. Eaton. In a general way, yes, I am.

Q. Are you familiar with these agricultural credit corporations such as the kind that we asked Mr. Alexander about yesterday? I believe you were present.

A. Yes.

Q. And as is described in the application submitted to the Federal Reserve Board in connection with the proposed acquisition, are you familiar with these agricultural credit corporations?

A. Yes, I am in a broad way.

Q. Now, with respect to the agricultural credit corporation that is mentioned in the application, is that a specific part of the agreement between the First National Bancorporation and the First National Bank of Greeley that such an agricultural corporation be formed?

A. No, it is no part. It was agreed generally that this would be advantageous to our area, to the people we served, if we could provide additional capital particularly during the tight-money period that we just experienced. But the agreement is not conditional upon either party doing this.

Q. On the basis of your knowledge of the banking business, do you know whether there are any other such agricultural credit corporations doing business in your area?

A. Yes, I believe there is a High Plains Credit Corporation that used to operate out of Grover, Colorado, which does still, I think, in conjunction with that bank and also with the Fort Morgan Bank. And I believe there is one operating in some relationship with the South Platte National at La Salle. But I can't tell you for sure what it is or whether it's still in existence.

Q. Do you know of an organization in your area by the name of Bankers Agricultural Credit Corporation?

A. I'm not familiar with it unless this is the one that I had reference to that is operated in connection with South Platte National.

Q. In connection with your membership or your stock holdings through the Monroe Corporation and the Fort Lupton Bank, do you know whether the Fort Lupton Bank is engaged in or is connected with an agricultural credit corporation?

A. As a matter of fact, I think they may be, but I'm not at all sure if they are. I don't have any specific knowledge of it.

Q. Well, now, do you know how the agricultural credit corporations of the type that are described in the application submitted to the Federal Reserve Board in connection with the proposed acquisition by First National of Denver of First National of Greeley—do you know how those agricultural credit corporations work?

A. Only in very general terms.

Q. Would you rather leave that to Mr. Eaton?

A. I think Mr. Eaton would have a broader knowledge of it than I would. I certainly don't know the specifics of it. I know the leverage that you develop and that it can give you a significantly greater amount of money, lendable funds, than is normally possible in most financial transactions.

Q. I notice from your annual report—that is, the annual report of the First National Bank of Greeley for the year ended 1966, that one of the new services offered or reported in that annual report is something called Medac, Medical Billing Service. Could you describe that to us?

A. Again, Mr. Eaton can probably give it to you more closely. But it's a service which we furnish to the medical profession; namely, they put their billings on data processing equipment through our bank on a direct line to Denver, and then it goes into the data processing equipment in Denver. It's a billing service that provides data processing for these people.

Q. Who does the processing of the data for you in Denver?

A. A Denver firm, Medical Services, Inc.

MR. SCHOEPKE: Off the record.

(Discussion off the record.)

MR. SCHOEPKE: Back on the record.

A. I believe Medical Services, Inc. of Denver is the name, and they either use their own equipment or lease it from some other source.

Q. You had no direct contact in Medac with the organization that did the actual data processing?

MR. METZGER: There is an organization known as Medac System with offices at 9513 East Arapahoe Road in Denver.

A. That's it.

Q. (By Mr. Schoepke) I note from the annual report of the First National Bank of Greeley that in 1967 you became an agent bank for CNB for BankAmericard.

A. Yes.

Q. Do you still have that?

A. Yes, we do.

Q. Have you ever considered Master Charge in connection with other credit card accounts?

A. No, not really.

Q. Has the matter of credit cards entered into your negotiations at all with First National Bancorporation?

A. No.

Q. In your 1967 annual report you also indicate something that we've gone through just a few moments ago, that your surplus increased your loan limit, and that at that time, in 1970 at least, you stated that your loan limit was the highest of any bank in northern Colorado. Do you happen to know, is that still the case?

A. Yes, I think so, with the possible exception of the First National Bank of Fort Collins. But I still think we have the largest legal lending limit in northern Colorado.

MR. METZGER: For the record, a national bank has as its legal lending rate the sum of its capital, its surplus, its undivided profits and its uncommitted reserves. This is therefore a mechanical question which may be answered mechanically by noticing these facts which are of public record for all banks. And I'm sure that Mr. Gilbert would accept those facts as being accurate for whichever bank we looked at.

THE DEPONENT: Precisely.

Q. (By Mr. Schoepke) Yes. Now, perhaps you would

wish to defer to Mr. Eaton on this or somebody else, maybe Mr. Gillespie. I assume this is an accounting problem. But I just would like to straighten it out for the record.

In your annual report, Mr. Gilbert, for 1968, net operating earnings are given as $655,092. That's in the 1968 annual report. Now, the 1969 annual report—and I might say your annual reports usually indicate the earnings for the year prior—in your 1969 annual report, net operating earnings for 1968 are given as $490,731.

Now, there is discussion in your 1969 annual report that would indicate that because of certain requirements of the Controller of Currency and changes in accounting methods, that various adjustments had to be made. I assume that the difference in the 1968 net operating earnings reported in the annual report for 1968, and that those reported for 1969 are attributable to those changes in the accounting methods. But I wondered if it would be possible to reconcile those.

A. Exactly, that's the reason for it. But I think Mr. Gillespie or Mr. Eaton could probably give you a better explanation of that than I can.

Q. Mr. Gilbert, I would like to direct your attention, if I may, to the application of the First National Bancorpo ration of Denver that was made to the Federal Reserve Board in connection with the proposed acquisition of the First National Bank of Greeley. Exhibit G describe Greeley's primary service area. And in that description there are various communities listed as included within this area. Now, one of the cities mentioned is the City of Greeley. And the next city mentioned is Eaton. Could you tell us where Eaton is located?

A. Approximately three and a half, four—let's see—four to five miles due north of Greeley.

Q. On the basis of your knowledge, having lived in the area, is there any commercial connection between Eaton and Greeley?

A. By "commercial connection," do you mean commercial firms extending to that area?

Q. Yes.

A. I'm not sure I understand what you mean.

Q. Well, what is the economic activity that goes on in Eaton? Why is Eaton there?

A. It's a small rural, almost predominantly agricultural area, a very small town.

Q. Do people from Eaton come into Greeley to conduct business?

A. Yes, in the retail sense. Probably they do more of their retail business in Greeley than Eaton.

Q. Now, where is the town of Gill?

A. Gill is a little east of Eaton. Generally it's north and east of Greeley. I doubt, if you were going through Gill, you could even identify it as a town.

Q. Is there any economic connection between Gill and Greeley?

A. It can hardly be called a town. I don't think you would classify it as a town if you would go through it and look at it. Maybe you have, but there is nothing there to speak of, no commercial activity.

Q. No commercial activity?

A. No.

Q. How about Kersey, the next town? Where is Kersey located?

A. Kersey is about six miles east of Greeley on Highway 34.

Q. What kind of commercial activity, if any, is located there?

A. Very little. An elevator maybe, a feed elevator, feed and grain elevator.

Q. Is there a railroad station?

A. I don't believe there is a station there any longer. They don't stop there any longer.

Q. And where is Platteville located?

A. Platteville is about twelve miles—I'm speculating—but about twelve miles south of Greeley on Highway 85 to Denver.

Q. What kind of commercial activity, if any, is located there?

A. Again, very little.

Q. How about the town of Gilcrest?

A. Gilcrest is approximately nine or ten miles south of Greeley on Highway 85.

Q. What kind of economic and commercial activity, if any, is conducted there?

A. Again, very little. There may be a feed mill, grain elevator. But very little commercial activity.

Q. And how about the town of Peckham? Where is that located?

A. Peckham is in the same general area as Gilcrest and Platteville.

Q. Again, with regard to commercial activity?

A. It's non-existent practically.

Q. And may I ask the same few questions with respect to La Salle?

A. La Salle is a larger area. It used to be the switching ground for the U. P. Railroad. It has an alfalfa mill, which is one of the main commercial activities in the town, a grocery store, the South Platte National Bank, which recently went in there. There isn't a whole lot of activity other than the John Ewing alfalfa hydrating mill and the bank. That's about it.

Q. How about the town of Evans?

A. Evans has even less, in my opinion, commercial activity than La Salle. It's midway between Greeley and La Salle. Very little commercial activity. There has recently been a furniture manufacturing store. Other than that, there is hardly any commercial activity.

Q. And Lucerne?

A. Lucerne is about midway on the north edge of Greeley between Greeley and Eaton. And in Lucerne, again, it's hardly identifiable as a city or town. The only commercial activity is a large filling station, restaurant and small motel.

Q. Mr. Gilbert, are you acquainted with an area near Greeley that is known as Farmers?

A. A Spur.

Q. Is that the name of it, Farmers Spur?

A. Yes.

Q. What is that?

A. It's north and west of Greeley, about six and a half miles.

Q. Is that a town?

A. It used to be known as a town. It was a beet dump. I doubt if it has a population of ten people. It's non-existent.

Q. Commercial activity?

A. None. There is no commercial activity there at all. I started to say there is a feed lot, but it's not there any more.

Q. How about Bracewell? Is there a community by that name near Greeley?

A. Yes, it's a little further north and west than the Farmers Spur but it's almost in the same category. It's non-existent. It's hardly identifiable as a community. I don't think they have a town board.

Q. Commercial activity?

A. None that I can think of.

Q. Now, in connection with your ownership of an interest in the Fort Lupton State Bank through the Monroe Corporation, have you ever had any conversation with the Fort Lupton State Bank or any of its officers or directors with respect to the possible acquisition of the Fort Lupton State Bank?

A. No, I have not.

Q. Was there any discussion between you and Mr. Alexander or any other officers of the First National Bank Corporation with respect to your ownership in the Fort Lupton State Bank at the time you were negotiating?

A. No. I think they may be aware of it, as I think I pledged my stock as security for loans. But no discussions.

Q. Have there been any discussions since the time of your signing the contract of acquisition with respect to your ownership in the Fort Lupton State Bank?

A. No.

MR. SCHOEPKE: We will continue this deposition until a future date. And then if you want to break now——

MR. METZGER: Why continue this deposition to a future date? What do you mean?

MR. SCHOEPKE: Well, just that. I will put it on the record, and if you want to object, you may.

MR. METZGER: I do. The witness is here and ready to answer any questions you have.

MR. SCHOEPKE: Well, we have to take other witnesses in between. I thought I'd discuss that with him, whether he was willing to be here and if there were questions, certain questions, that we could ask him that he was unable to answer, that we would——

MR. METZGER: You can ask this witness any question you want. He's here and ready to answer questions.

MR. SCHOEPKE: Well, there are other pending matters in the banks in Colorado, so that I stand on the record. I will defer that.

Do you have any questions you wish to ask on cross-examination?

MR. METZGER: After you complete your examination of this witness, if you have completed your examination of this witness, I do.

MR. SCHOEPKE: All right. For the time being, I have completed it.

MR. METZGER: I will ask a few questions.

Off the record.

(Discussion off the record.)

MR. METZGER: Back on the record.

EXAMINATION

By MR. METZGER:

Q. Mr. Gilbert, I note that you indicated your lending limit has a back door of ten per cent of your capital and your surplus. Is this your legal limit?

A. We have construed it to be our legal lending limit, although under regulations of the authorities, it is maintained that you can include your undivided profit account if you desire. We never chose to do so without specific board authority.

Q. For what reason?

A. It's a matter of prudence and conversatism probably.

Q. With regard to the question of considering affiliations with other holding companies besides the Colorado National Bancorporation and the First National Bancorporation of Colorado, could you tell us what your reasons were for limiting your inquiry as to these two organizations?

A. I think because our board was primarily interested in becoming affiliated with an organization that could give the depth and structure in the various areas that we thought would be helpful to our community and our bank, an extremely large mortgage lending department with contacts all over the country, one of the largest trust departments in the area with sophisticated investment counselling service, and probably the largest data-processing equipment in the area, with very sophisticated techniques for management reports. Basically those are the reasons we felt they were deep enough in personnel and in structure to give us the kind of help that we anticipated we would need.

Q. Did you feel there were any other banks in Colorado,

bank holding companies in Colorado, that you would care to be affiliated with?

A. No, not at this time. Denver U. S., of course, had been eliminated. They would have been a choice had they been available.

MR. METZGER: I have no further questions.

MR. SCHOEPKE: I will continue this deposition until an indefinite future date.

MR. METZGER: With the understanding that we do not hold ourselves out as being bound by such continuation.

MR. SCHOEPKE: I have a few more questions.

RE-CROSS EXAMINATION

By MR. SCHOEPKE:

Q. With regard to the stockholdings of your brother, you were to supplement your answer.

A. With respect to that part of my testimony relating to the stockholdings of my brother, I find on examination of the stockholders' list that he, C. Carl Gilbert and his wife Rachelle B. Gilbert as joint tenants and not as tenants in common, own 925 shares.

(The deposition was concluded at 12:15 p.m.)

.....
ROBERT M. GILBERT

Subscribed and sworn to before me this ..... day of ....., 19...

My Commission expires ....

.....
Notary Public

CERTIFICATE

State of Colorado }
City and County of Denver } ss.

I, THOMAS T. TOMKO, Notary Public and Certified Shorthand Reporter, State of Colorado, duly commissioned to administer oaths, do hereby certify that previous to the commencement of the examination of the said ROBERT GILBERT said witness was duly sworn by me to testify the truth, the whole truth, and nothing but the truth, and was thereupon interrogated as set forth in the foregoing deposition;

That the said deposition was taken in machine shorthand by me at the time and place aforesaid and was reduced to typewriting under my supervision;

That the foregoing is a true transcript of the questions asked, the testimony given, and the proceedings had;

That after the deposition was transcribed, the same was submitted to the deponent for reading and signing by means of a letter of notification, a copy of which is hereto annexed (that to date there has been no affirmative response by the deponent and said deposition remains unsigned, and the same is filed herewith pursuant to the provisions of Rule 30e. of the Federal Rules of Civil Procedure);

That I am not attorney or counsel, or in any way connected with any attorney or counsel, for any of the parties to said action, or otherwise interested in its event.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal this .... day of ....., 19....

My Commission expires December 9, 1972.

.....
THOMAS T. TOMKO
Notary Public

Bertram Naster
Thomas T. Tomko
Phones: 255-0497
255-0498

NASTER & TOMKO
CERTIFIED SHORTHAND REPORTERS
AMERICAN NATIONAL BANK BUILDING
DENVER, COLORADO 80202

December 14, 1970

First Nat'l. Bank of Greeley
Greeley, Colorado

Attn: Mr. Robert M. Gilbert
President

Re: Depo. of Robert M. Gilbert
USA vs. First National Bancorporation, No. C-2413, 11-19-70

Dear Mr. Gilbert:

Your deposition in the above case is now ready for you to read and sign. Please make an appointment by telephone and come in within the next twenty days, or let us know if you need more time. We will endeavor to make an appointment at a time convenient for you.

The Court rules require that your deposition be filed promptly. If after twenty days we have not heard from you, your deposition will be filed with the Court without your signature.

Very truly yours,
THOMAS T. TOMKO
Certified Shorthand Reporter

cc:

BOOK TOO LARGE FOR FILMING-P

DX-75

In The United States District Court
for The District of Colorado
Civil Action No. C-2413

United States of America, *Plaintiff*, vs. First National Bancorporation, Inc., and The First National Bank of Greeley, *Defendants.*	Deposition of Alejandro M. Gillespie

Pursuant to Notice and the Federal Rules of Civil Procedure, the deposition of Alejandro M. Gillespie, vice-president and controller of the defendant the First National Bank of Greeley, was taken by the plaintiff at 2:15 p.m. on Thursday, November 19, 1970, in the trust department conference room of the First National Bank Building, Denver, Colorado, before Thomas T. Tomko, Notary Public and Certified Shorthand Reporter, State of Colorado.

The Plaintiff appeared by Herbert G. Schoepke, Kevin D. Brenan and Eugene V. Lipkowitz, Attorneys, Department of Justice, Anti-Trust Division, Washington, D. C.

The Defendants appeared by Edward B. Close, Jr. of Hughes and Dorsey, Attorneys at Law, First National Bank Building, Denver, Colorado, and Eugene J. Metzger and Carl W. Schwarz of Metzger, Schwarz & McKenna, Attorneys at Law, One Farragut Square South, Washington, D. C.

Also present, Messrs. Robert M. Gilbert and Rex C. Eaton, Jr.

• • • • •

Alejandro M. Gillespie,

the deponent herein, called by the plaintiff, having been first duly sworn, was examined and testified as follows:

Cross-examination

By Mr. Lipkowitz:

Q. Would you please state your name for the purpose of the record?

A. Alejandro M. Gillespie.

Q. And what is your address?

A. 1103 9th Avenue, Greeley, Colorado.

Q. And what is your position with the bank?

A. Vice-president and controller of the First National Bank of Greeley.

Q. Calling your attention to the Answer to Interrogatory No. 23, which you helped prepare or prepared, could you tell us about the relationship of the First National Bank of Greeley with the Fort Lupton State Bank, particularly the correspondent relationship maintained by the Fort Lupton State Bank at the First National Bank of Greeley?

A. Yes. They keep a deposits account with us which varies in size as it has for many years. The main purpose of this account, they use us as a commercial bank to clear checks on the County Treasurer of Weld County particularly. In earlier times it was warrants, but these are their county checks, and this is a good part of the business that we handle for them.

Q. Your answer also mentions that you make loans to Fort Lupton State Bank officers.

A. Yes, not large loans. I think you heard testimony from Mr. Gilbert earlier.

Q. Would this be for the purpose of the enabling officers of the Fort Lupton State Bank to buy stock in that bank?

A. In the Fort Lupton State Bank or our bank?

Q. Any bank.

A. Yes, it's possible.

Q. What interest rate do you charge on such loans as compared with other loans that your bank makes, the prime rate or any other basis?

A. No, I can't say that I am. I'm not involved in the lending function of the bank.

Q. And does the First National Bank of Greeley participate in loans originally made by the Fort Lupton State Bank, providing overlines?

A. It could be.

Q. Is that something that you worked on or——

A. No, it isn't.

Q. Here is the Answer to Interrogatory No. 25 which you also prepared. I believe it lists the accounts that First National Bank of Greeley maintains at various banks

around the country. Could you describe the nature of the correspondent accounts first held in various Denver banks?

A. Well, the three banks involved in Denver, there is the Colorado National Bank, the Denver United States Bank, or the United Banks of Denver now, the First National Bank of Denver. We have had correspondent relations with these three banks all the time I have been in the bank and probably 50 years earlier than that.

Q. Would you describe the change in recent months of the size of the correspondent balance maintained with the various banks here in Denver?

A. Yes. I think the greatest change that would show up here would be between the Colorado National Bank and the First National Bank of Denver. They have traditionally been our principal correspondent bank in Denver. In view of the hoped-for association with the Bancorporation, we changed our principal correspondent relationship with the First National Bank of Denver.

Q. What sort of service have these banks provided to the First National Bank of Greeley in the past?

A. Well, in the past they were strictly depositor relationships, and in addition to this there would be some custodial service at the Colorado National Bank, particularly there used to be.

Q. Would it be fair to state that you have also transferred banks for the purpose of providing such things as payroll and checking accounts and regular savings accounts, bookkeeping service or computer service from Colorado National Bank to First National Bank following your decision?

A. Right. The only exception to that would have been a computer service provided by the First National Bank with regard to our municipal bond portfolio which we started with the First National Bank. That was not transferred. This runs back three or four years.

Q. And it's still here at the First National Bank of Denver?

A. Right. The other services were transferred in contemplation of this merger.

MR. SCHOEPKE: Off the record.

(Discussion off the record.)

Q. (By Mr. Schoepke) Mr. Gillespie, the annual report of the First National Bank of Greeley for 1968 reports net

operating earnings for 1968 of $655,092. The annual report for the First National Bank of Greeley for 1969 has figures for net operating earnings for 1968 of $490,731.

Now, I wonder, could you explain to us the reason for the differing figures contained in these two annual reports with respect to the net operating earnings of First National Bank of Greeley for 1968?

A. Well, this is the figure that I said I would reconcile. Now, there may be a mention of that in the president's report at the beginning of the 1969 report. Do you happen to have that?

Q. Would you like to see the report?

A. Yes.

Q. I believe there is an explanation and there is mention of the changeover to the accrual basis.

A. Right.

MR. GILLESPIE: Off the record.

(Discussion off the record.)

Q. (By Mr. Schoepke) Mr. Gillespie, I note from the first page of the annual report of First National Bank of Greeley, the report by the president, Mr. Gilbert, the third paragraph of that report discusses the reclassification of certain items, adjustments to reflect results of operations on accrual basis, and so forth. Could you tell me, are those the adjustments that account for the difference in the net operating earning figures contained in the 1968 and 1969 annual reports?

A. I would say yes.

Q. Now, in the 1969 annual report of First National Bank of Greeley there are net operating earnings reported before income taxes amounting to $683,618. Are those figures based on the new method of accounting described by the president in his message in the 1969 annual report?

A. Yes.

Q. Is there anything you wish to add to that?

A. I don't think so.

MR. SCHOEPKE: We have no further questions of Mr. Gillespie at this time.

Do you have any questions?

MR. METZGER: No, sir.

MR. SCHOEPKE: We continue the deposition to an indefinite and future time.

MR. METZGER: My brief representation stands unaltered.
(The deposition was concluded at 2:25 p.m.)

.....
ALEJANDRO M. GILLESPIE

Subscribed and sworn to before me this .... day of ....., 19...

My Commission expires .....

.....
Notary Public

CERTIFICATE

State of Colorado }
} ss.
City and County of Denver }

I, THOMAS T. TOMKO, Notary Public and Certified Shorthand Reporter, State of Colorado, duly commissioned to administer oaths, do hereby certify that previous to the commencement of the examination of the said ALEJANDRO GILLESPIE said witness was duly sworn by me to testify the truth, the whole truth, and nothing but the truth, and was thereupon interrogated as set forth in the foregoing deposition;

That the said deposition was taken in machine shorthand by me at the time and place aforesaid and was reduced to typewriting under my supervision;

That the foregoing is a true transcript of the questions asked, the testimony given, and the proceedings had;

That after the deposition was transcribed, the same was submitted to the deponent for reading and signing by means of a letter of notification, a copy of which is hereto annexed (that to date there has been no affirmative response by the deponent and said deposition remains unsigned, and the same is filed herewith purusant to the provisions of Rule 30 e. of the Federal Rules of Civil Procedure);

That I am not attorney or counsel, or in any way connected with any attorney or counsel, for any of the parties to said action, or otherwise interested in its event.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal this .... day of ....., 19...

My Commission expires December 9, 1972.

.....
THOMAS T. TOMKO
Notary Public

BERTRAM NASTER
THOMAS T. TOMKO
PHONES: 255-0497
255-0498

Depositions
General Reporting

NASTER & TOMKO
CERTIFIED SHORTHAND REPORTERS
AMERICAN NATIONAL BANK BUILDING
DENVER, COLORADO 80202

December 14, 1970

First Nat'l. Bank of Greeley
Greeley, Colorado

Attn: Mr. Alejandro M. Gillespie

Re: Depo. of Alejandro M. Gillespie
USA vs. First National Bancorporation, No. C-2413, 11-19-70

Dear Mr. Gillespie:

Your deposition in the above case is now ready for you to read and sign. Please make an appointment by telephone and come in within the next twenty days, or let us know if you need more time. We will endeavor to make an appointment at a time convenient for you.

The Court rules require that your deposition be filed promptly. If after twenty days we have not heard from you, your deposition will be filed with the Court without your signature.

Very truly yours,
THOMAS T. TOMKO
Certified Shorthand Reporter

cc:

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO
Civil No. C-2413

UNITED STATES OF AMERICA,
Plaintiff,

vs.

FIRST NATIONAL BANCORPORATION, INC., and THE FIRST NATIONAL BANK OF GREELEY,
Defendants.

DEPOSITION OF CARROL L. STUBBS (Taken by Plaintiff)

PURSUANT TO NOTICE, the deposition of CARROL L. STUBBS, called for examination by the plaintiff herein, was taken at the Trust Department Conference Room of the First National Bank of Denver, First National Bank Building, in the City and County of Denver, State of Colorado, beginning at the hour of ten o'clock in the forenoon of the 20th day of November, 1970, before Bertram Naster, a Certified Shorthand Reporter and Notary Public in and for the State of Colorado;

The plaintiff appearing by its attorneys, Mr. Herbert G. Schoepke, Mr. Eugene V. Lipkowitz, and Mr. Kevin D. Brenan, Attorneys, United States Department of Justice;

And the defendant First National Bancorporation appearing by its attorneys, Hughes & Dorsey, by Mr. Edward B. Close, of Denver, Colorado, and Metzger, Schwarz & McKenna, by Mr. Eugene J. Metzger and Mr. Carl W. Schwarz, of Washington, D.C.

WHEREUPON, the following proceedings were had:

CARROL L. STUBBS,

called for examination by the plaintiff herein, being first duly sworn, testified as follows:

EXAMINATION

By MR. SCHOEPKE:

Q. Would you state your name for the record, sir.
A. Carrol L. Stubbs.
Q. Where do you reside, Mr. Stubbs?
A. 3084 South Columbine, Denver.

Q. And what is your present employment?

A. I am Senior Vice President in the Correspondent Bank Division.

Q. Of what institution?

A. First National Bank of Denver.

Q. How long have you been with the First National Bank of Denver?

A. The last time, since 1933. I was employed by the bank two previous times.

Q. Oh, I see. Well, would you just briefly go through the periods of employment that you have had with the bank, and give your general position of duties, functions.

A. I was employed as a bookkeeper first, entered the Teller's Department; from there, on the utility staff, and——

Q. To the best that you can recall, could you give the approximate times that you spent in these various jobs, as you go along.

A. About two years in the Bookkeeping Department, one year and a half as a teller. I may have understated that a little. Probably seven or eight years on the utility staff, where I worked in every department of the bank. We did not have a Trust Department at the old bank, so I have never been in the Trust Department or the Credit Department, but I have worked in every other department of the bank.

Q. And did you call that part of the Utility Section?

A. Well, the utility staff, relieving department heads on vacation.

Q. I see. And for how long were you on this utility staff?

A. Oh, probably seven years. From there, as an assistant to the Cashier, who was then Frank Dawson, we handled personnel and operations, did hiring and firing, along with operational duties.

Q. And then what was your next position?

A. To the Correspondent Bank Division.

Q. How long have you been with the Correspondent Bank Division?

A. Twenty or twenty-one years.

Q. When you first came to the Correspondent Bank Division, what was your function?

A. Assistant Cashier.

Q. And what were your duties as Assistant Cashier in the Correspondent Bank Department?

A. Generally, traveling the area to assist in operational problems for the smaller banks in the area, to assist them.

Q. And when you say "smaller banks," what do you mean?

A. Well, they rely upon us for expertise in assisting them, in advice as to purchasing equipment, setting up systems, personnel problems, assisting them in finding personnel. And from there, then gradually developing into the loan portion of the Division.

Q. Well, perhaps this would be a good place to ask you what the Correspondent Bank Department does. You have been just saying "small banks," which for the record doesn't mean very much. Would you just, on the basis of your experience and your function as head of the Correspondent Bank Division, tell us, what does the Correspondent Bank Division do?

A. Well, all banks have correspondents. We do have correspondents all over the country. The smaller banks need a larger bank for assistance in clearing their items—checks that are deposited in those banks that could be drawn anywhere in the world. They send them to us or Federal Reserve Bank. Many of them are not members of the Federal Reserve Bank.

We give assistance in loans, the problems that I have mentioned before—to assist them in any new developments that come out as far as machinery and equipment. We have taken some of their newly employed people into our banks to give them training in our various departments.

We still constantly do all of these things. We assist them in loans. Many of the banks in our area are small, their demand for credit is high. Their loan limits are low. So they need assistance that way.

Q. Now, these banks you are referring to as correspondent banks, they are not affiliated with your bank?

A. No, sir.

Q. Other than being correspondent banks?

A. That's right.

Q. They are independent banks in their own communities, is that right?

A. Yes, sir.

Q. Now, do the personnel of the Correspondent Bank Department call on these banks?

A. Yes, sir. There are twelve men in the department and three secretaries. It is divided into three divisions. Four of the gentlemen travel generally from Denver south, clear to the Mexican border, as far as El Paso. That division covers Kansas, the Panhandle of Texas, all of New Mexico, southern Colorado, Arizona—very little of Arizona, Utah, Salt Lake City.

The northern division, generally from Denver north, covers the Panhandle of Nebraska, South and North Dakota, the western end, all of Montana, Idaho, Wyoming, and I believe I mentioned northern Colorado.

We have a metropolitan division; there are three in that, that handle the banks in the immediate area.

Q. Now, why does First National Bank of Denver do all of these things for these small banks?

A. Well, correspondent banking, way back in history—as I say, we have to have correspondents in many large cities to assist us with our problems. It is the way of life, it has to be done. They have to have help. They need some institution that can assist them with foreign problems, transferring money to foreign areas.

Q. Perhaps you haven't gotten the import of my question.

A. Perhaps not.

Q. I said, why do you do these things for these little banks? Do you do it——

A. To build up our banks.

Q. Do you get anything in return for your efforts on behalf of the smaller banks?

A. Yes, they have deposits with us.

Q. And in what way do the deposits constitute a quid pro quo, let us say, for the services that you render?

A. Well, their deposit would come to us. It would consist of, in a smaller bank, where there's a few checks, those checks, and in the big ones, checks of this size (indicating). The only thing they pay us for is computer services. The rest is the deposits, which build our bank, which we use so that we can finance other institutions.

Q. In other words, the deposits that the correspondent banks keep here——

A. Yes, sir.

Q. ——you are able to use and put to profitable use, and

that constitutes your reimbursement for the various services that you render?

A. Yes, sir.

Q. And is there a particular name for those deposits?

A. Correspondent bank balances, as shown on our statement.

Q. Now, I'd like to direct your attention to Interrogatory No. 22, Mr. Stubbs. I don't see your name on it, but this is an answer to Plaintiff's Interrogatory No. 22, and I would like to direct your attention to Section C. of Interrogatory No. 22, which is on the 17th page, and at the top of the page is the following statement: "The Correspondent Bank Department, as one of its basic purposes, assists correspondent banks with overline loans and participation loans to a variety of borrowers."

Now, would you state for the record what is an overline loan, in the sense that the term is used there?

A. The regulation provides that a national bank can only loan to one customer ten per cent of their capital and surplus. State banks can loan fifteen per cent. For instance, if a bank's ten per cent is only $50,000.00, and they have a request for a $150,000.00 loan, they can only go to fifty. They must find some place for the other, if they wish to take care of their customer.

Q. Well, now, you have told us what a lending limit is. Would you tell us what an overline is.

A. That is an overline—the amount over the amount that they can loan is an overline. The additional $100,000.00 in the example that I presented is an overline.

Q. Yes. Now, the statement I just read to you indicates that the Correspondent Bank Department, as one of its basic purposes, assists correspondent banks with overline loans. Would you tell us in what way the Correspondent Bank Department does assist correspondent banks.

A. When they have a request like this which they cannot handle, they bring that request to us and ask for our assistance in taking the overline. We review the loan, just as we would anyone that comes into our bank, and if it meets our credit terms, we will then, through that bank, take that portion of the credit.

Q. In other words, you take the overline as a——

A. As a loan, then, in our portfolio.

Q. The overline becomes part of your loan portfolio?

A. Yes, sir.

Q. Now, that sentence on the 17th page of Interrogatory Answer No. 22.C. also mentions participation loans, and I wonder, would you tell us, as a banker and with extensive experience in correspondent banking, what the meaning of the term "participation loan" is?

A. In the same example that I gave, the note will be drawn for $150,000.00. A certificate called a participation certificate, which is a legal document, states that First National Bank of Denver is participating in that credit of $150,000.00, in the amount of $100,000.00. It is our obligation. They no more have the obligation in the country bank.

Q. And that participation refers to the overline which exceeds the correspondent bank's lending limit?

A. Yes.

Q. Is that correct?

A. Yes, sir.

Q. Now, are there other banks in the City of Denver which are engaged in the correspondent banking business?

A. Yes, sir.

Q. What are the other banks?

A. Ourselves, United Bank of Denver, Security National, American National, Colorado National, Central Bank—that I'm sure of.

Q. Do you happen to know for whom Security National Bank is the correspondent? Do they have very many accounts, do you know?

A. Not very many.

Q. Do you happen to know, of your own knowledge, for whom they act as Denver correspondent?

A. I know of one for sure—First National Bank of Grand Junction. Excuse me, I better add to that that they are a holding company bank also. They do correspondent work for their own banks, if that is considered pertinent.

Q. Security Bank?

A. Yes. That's the First of Englewod, and University Hills.

Q. Oh, the other member banks of their holding company.

MR. METZGER: As well as the First National of Grand Junction.

Q. (By Mr. Schoepke) Which is not part of their holding company?

A. That's right.

Q. Mr. Stubbs, in Interrogatory Answer 22.C., on the 32nd page, under the term "Other Trust Services," there is a section called "Greeley National Investment Advisory Account." Are you familiar with the Greeley National Investment Advisory Account?

A. Well, I am not a trust man, for sure, but I know our Trust Department helps them, advises them on their bank's investments.

Q. Well, the description of the account is rather complete. I just wondered if you could clarify one thing.

A. May I read that?

Q. Would you want to read through that section, and then perhaps we can save a little time.

(Pause.)

Q. Mr. Stubbs, I am asking you about this simply because this is included in the particular Interrogatory answer that is concerned with correspondent banking. Now, I just don't want to make any false assumptions. The first sentence reads as follows: "The Greeley National account is an investment advisory relationship which is operated on a very informal basis." And the second sentence continues: "The Greeley National is responsible for all trust decisions in the accounts," et cetera.

The term "Greeley National"—do you happen to know, does that refer to the Greeley National Bank?

A. I know it does.

Q. All right. Do you happen to know how this relationship between the Greeley National Bank and the First National Bank of Denver, with respect to this Greeley National Investment Advisory Account, originally came about?

A. Yes. This is another correspondent service. We have a huge Trust Department and a full group up there, that are presumably experts in the financial field, in investments. This bank has asked our Trust Department for advice on investments.

Now, as far as an account goes, if that means a depository account, I do not believe that is the term that the—as far as an account with our bank, a depository account, I don't believe that is the connotation on that.

Q. Well, I think the thing probably speaks for itself. The second sentence reads: "The Greeley National is re-

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sponsible for all trust decisions in the accounts, and is also responsible for holding the securities and the accounting functions. Our function is to provide advice on investment policies, and to review the individual investments in the account."

A. That's correct.

Q. Does Greeley National Bank presently have a correspondent relationship with First National Bank of Denver?

A. Yes, sir.

Q. Do you know or are you in a position to state whether or not, if the First National Bank of Greeley is acquired as an affiliate or a subsidiary of First National Bancorporation of Denver, whether this particular relationship between Greeley National Bank and the First National Bank of Denver will continue?

A. I can speak for our bank, because we have had a conversation with them and our relationship—we have told them that our relationship, as far as assisting their bank, will not change.

Q. Going back, if I may, Mr. Stubbs, to the statement on page 17 of the Interrogatory answers, which sets forth the basic purposes of the Correspondent Bank Department, the paragraph at the top of page 17 states: "The Correspondent Bank Department, as one of its basic purposes, assists correspondent banks with overline loans and participation loans to a variety of borrowers. Also included in the loan makeup are direct loans to banks and bank officers."

I wonder if you would describe the loans that are made to your correspondent banks and to their bank officers.

A. Well, on occasion a bank's liquidity position becomes such that, for one reason or another, they have to borrow money—a bank. This is a bank I am talking about now.

There was one on my desk just now—I talked to the bank in Worland, Wyoming—that will be short of cash. They only matured it to November 26th, which is only for a few days. We will loan that bank $100,000.00. That is the loan to the bank. They are secured by either Government Bonds or Municipal Bonds, and that is provided in the regulation. That is the only loan to a bank.

Q. To a bank?

A. Yes, sir.

Q. And then you say that also included in the loan

makeup, in addition to such direct loans to banks, are loans to bank officers?

A. There is a regulation on bank officers borrowing from their own bank. A lot of banks do not want their officers to borrow, even though they can borrow within the limits. We loan many bank officers, for various purposes—buying a car, or a mortgage on a home, purchasing stock, some livestock.

Q. And this is one of the services that you render to your correspondent banks?

A. Yes, sir.

Q. The last sentence states as follows: "These loans are of every type and classification as those loans made by the First National Bank of Denver for its own portfolio." Am I correct in interpreting that to mean that every type of loan made by First National of Denver is also made through the correspondent relationship with its various correspondent banks?

A. That is generally true. We might have an automobile dealer's loan from some bank that is too large for them, or a finance company. We handle a lot of livestocks, real estate. Generally, I would say that is quite true.

Q. Would that include agricultural loans?

A. Yes, sir.

Q. Do you take many overlines from your correspondents on agricultural loans?

A. Most of our loans are agricultural loans, in our department.

Q. In the Correspondent Bank Department?

A. Yes, sir.

Q. By which you mean that that represents overlines in agricultural loans which you have taken from your correspondent banks?

A. Not all of our loans are from correspondents. We do have some direct livestock——

Q. Agricultural loans?

A. Monfort, you talked about. That is a direct loan, has nothing to do with the correspondent bank.

Q. But the Correspondent Bank Department does take agricultural loan overlines from its correspondents as appropriate, does it not?

A. Yes, sir.

MR. METZGER: You might want to supplement the previous answer with regard to correspondent relationships.

They are not entirely overlines and participations. There are often situations where the correspondent is so fully loaned that he simply asks you to take a very substantial portion of his loans, and it is not an overline relationship, necessarily.

MR. SCHOEPKE: I see.

Q. (By Mr. Schoepke) Would you adopt that as a supplement to your previous answer, Mr. Stubbs?

A. Yes. In many instances, the banks out in the country do not have sufficient capacity to take care of their customers, even up to their legal limit. In one real instance, one bank is only taking ten per cent of the loans we participate in, and we are taking ninety, because they don't have any money.

MR. METZGER: Just a supplement.

A. (Continued) But that is not an overline.

Q. (By Mr. Schoepke) That is a participation, in other words?

A. It is a participation, but it is not an overline above their legal limit.

Q. Yes. In other words, as Mr. Metzger stated it, they are loaned up?

A. Yes, sir.

Q. Their loan to deposit ratio is pretty much at the limit?

A. Yes, sir.

Q. And they have some customer that they want to accommodate, so they take one of their existing loans, and through some legal process, an assignment——

A. It is the same type of——

Q. They sell it to you, do they not?

A. It is the same type of participation certificate, but it is not necessarily the amount above their legal limit.

Q. And then that participation certificate becomes a part of your portfolio?

A. Yes, sir.

Q. And in return for that, you credit their account with your bank or send them the cash?

A. Well, we credit their account and they use the money.

Q. And then they may use that amount of money for other purposes of their own particular operation?

A. Yes, sir.

Q. Now, does your department make calls on correspon-

dent banks? I believe you alluded to that briefly, and I wonder if you would describe that a little more fully, what the nature of these calls is.

A. Yes, sir. Well, in those divisions I mentioned earlier, the groups south, north, and metropolitan area, we call on all of our correspondents at least twice a year—some of the larger cities, more than that. Well, sometimes all of them more than that, if we can get around the territory that fast.

Q. And what is the purpose of these calls?

A. Public relations, keeping your name in front of them, offering assistance, presenting new ideas, anything that is pertinent at the time. It is extremely helpful if you have some opening thing to say when you go into a bank, rather than go out and be a whiskey salesman.

(Discussion was had off the record.)

Q. Well, is it fair to say that one of the reasons you call on your existing correspondents is to keep them as correspondent bank customers of yours?

A. Yes, sir. In addition, though, we call on banks that are not our correspondents.

Q. That is my next question.

A. We try to call on everyone in the area. Well, there are a few exceptions. There is no reason for us to call on every bank in Montana. They do their correspondent work with Billings or Great Falls or Helena. We call on the larger banks in the outlying states.

The near banks, in Nebraska, Wyoming, Colorado, New Mexico—we call on every one.

Q. How about Colorado? Whom do you call on in Colorado?

A. I am confident that over the year our boys will cover ninety per cent of every bank in Colorado.

Q. Now, I gather from a statement you just made a moment ago that this includes banks which are not existing correspondents?

A. That's right.

Q. Why do you call on banks who are not existing correspondents of yours?

A. Well, the day might come when they become disenchanted with their correspondent bank and want to move. That happens seldom, but it happens. We have good friends in banks that are not correspondents of ours.

Q. Well, when the members of your Correspondent Bank Department, your subordinates who are assigned to these duties, call on non-correspondent banks, what do they talk about?

A. General banking conditions. We try to get all the business we can, and that is the only way you can—if you don't call on them and something happens and they need help, they are not going to let us know about it, they will talk to the people that they are friendly with and that have talked with them.

Q. Well, do you try to solicit their business as a correspondent bank?

A. Sure, sure—"Some time, we hope, we can be of help to you."

Q. That is the basic purpose of the call?

A. Sure, it is.

Q. Salesmanship?

A. Yes, sir.

Q. On the basis of your knowledge of the banking business, do the other banks in Denver who have correspondent departments do similar things, calling on customers?

A. I do not believe Security does, but I know all the rest do, yes, sir.

Q. That is, calling on their existing correspondents and also——

A. On ours.

Q. And also calling on their non-existing correspondents, which would include some of yours?

A. Yes, sir.

Q. And perhaps try and take them away from you?

A. Yes, sir.

Q. And so, in this respect, would you say that you are in competition with the other correspondent banks in Denver?

A. Very much so.

Q. Mr. Stubbs, do you happen to know how long the United Bank of Denver, or the former Denver U.S. National Bank, has been in the correspondent banking business?

A. Not for sure, but I am confident they have been as long as we have, and also the——

Q. Have they been in the correspondent business as long as you have been with First National Bank of Denver?

A. Yes, sir.

Q. How about the Central Bank? How long have they been in the correspondent business?

A. At least as long as I have been in the department. All of the banks except Security have.

Q. Have been in this correspondent banking business, in competition with you, since you have been in the department?

A. I'll take that back. American National, until their acquisition by the holding company, was not active in the correspondent business.

Q. Do you recall when they——

A. They had some accounts, but they were not competitive.

Q. Not active. Do you recall about how long ago it was that they commenced?

A. The American?

Q. Yes, commenced correspondent business.

A. Well, it was during Eisenhower's term. They were acquired in '57. This was at the time before Eisenhower signed the holding company bill. They immediately came in here and bought three banks—Wyoming, Montana, New Mexico, immediately.

Q. And did the American National Bank start a correspondent banking department shortly after that?

A. They had a few correspondent accounts, but they were not active, really.

Q. Well, when did they become active?

A. Immediately after their acquisition.

Q. Mr. Stubbs, I would like to direct your attention to Interrogatory No. 36, which is concerned with business solicitation. I wonder if you would clarify for me, on this question of business solicitation, what the relationship, if any, is between the Business Development Department and the Correspondent Bank Department.

MR. METZGER: Plenty.

Q. (Continued) In terms of responsibility.

A. Other than in visiting with banks, we as such do not have any responsibility in soliciting business locally, in our department.

Q. Now, you say locally. How about in towns or cities outside of Denver? Do personnel from your department make direct contact with distant borrowers?

A. Yes, sir. I can enlarge upon that. They do provide

us the information, in Business Development, because they have access to that that we do not. They prepare a call sheet for us.

Q. They prepare a call sheet, give it to you, and then you give it to the appropriate person who is covering that area, who makes the calls?

A. Yes, sir.

(Discussion was had off the record.)

Q. Mr. Stubbs, with respect to the Correspondent Bank Department you have indicated that you offer and render these various services to your correspondent banks, and in return they keep a balance with your bank and you have the use of that money?

A. Yes, sir.

Q. Is the Correspondent Bank Department a profitable operation to the bank?

A. You want me or our accountant to answer that one?

MR. METZGER: Our accountant please.

A. (Continued) I am confident it is, yes, sir.

Q. (By Mr. Schoepke) Referring back to Interrogatory Answer No. 36 again, the fifth page, at the bottom of the page, the last paragraph, it states that "State Bank of Greeley closed their account with us on March 23, 1970."

Do you happen to know why the State Bank of Greeley closed their account with you on that date?

A. Their main account was with Greeley National. They opened a small account with us, very small. We assisted them in one credit. The gentleman that owned the bank passed away about that date, right close there. They really have no reason to have an account with us at all. There was no ill feeling whatever, but they are doing their business with Greeley, Greeley then to us.

Q. Do they have a correspondent account in Greeley?

A. Greeley National Bank.

Q. I see. And then, from there, Greeley National Bank handles any Denver matters that they have, is that right?

A. Yes, sir.

Q. Now, Interrogatory 36, on the sixth page, lists loan customer calls at correspondent banks, and reads as follows: "The below listed accounts are now or have been loan customers of the First National Bank of Denver. They are separated into participations from banks and direct loans."

Then there follows after that paragraph a list of various banks and other organizations on which calls were made. But on page 8, there is a category entitled "Direct Loans, Correspondent Bank Department," and there is a list of organizations, and do those represent loans which are made directly with the First National Bank of Denver?

A. Yes, sir.

Q. As opposed to overlines or participations from correspondent banks?

A. Yes, sir, every one of those are.

Q. Mr. Stubbs, I'd like to direct your attention to Interrogatory No. 4, which is concerned generally with questions about the interest rates charged by First National Bancorporation and various of its subsidiaries. I would particularly direct your attention to the 18th page of that Interrogatory Answer No. 4, which states as follows: "Direct loans made to correspondent bankers for the purpose of purchasing the bank's stock have generally been one-half to one and a half per cent under the existing prime rate. These rates were established in response to significant competition from major banks for correspondent bank accounts and balances."

Are you able to tell me how often loans have been made to your correspondent bankers for the purpose of purchasing their own stock?

A. This is constant.

Q. It goes on constantly?

MR. METZGER: Let's distinguish the two categories.

A. We are talking about—well, what type of loan, a $500.00 loan, a $1,000.00 loan? We loan the little boys in the banks, to be able to buy ten shares of stock if they wish, as a way to help them out.

Q. (By Mr. Schoepke) Well, I'm just asking you, is this done frequently?

A. Yes, sir.

Q. Or is it a rare occasion?

A. Yes, that is done frequently.

Q. Well, now, you stated a moment ago that such loans are made in small amounts, and I believe you used the term "little guys." Are such loans made in other amounts than small amounts?

A. Oh, yes, sir.

Q. And has that happened on a regular basis or on an infrequent basis?

A. Not a regular basis, no. The opportunity doesn't arise that often. Large bank stock loans—we have about ten, I believe.

Q. Well, now, you say you have about ten. How do you happen to know that approximate figure?

A. Well, I certainly try to keep up with all the loans in our division.

Q. Do you have records that would indicate the loans that are made to officers of your correspondent banks, for the purpose of——

A. Surely.

Q. Would you be able to assemble a list of those loans or——

A. On certain of the small ones, I don't know that we would be able to determine for sure what the money was used for. Yes, on the larger ones, we would.

Q. Now, when the loan is made to correspondent bankers to purchase the bank's stock, is the stock pledged as security for the loan?

A. Most of the time. Sometimes, if they are borrowing just for qualifying directors' shares, they cannot pledge that stock.

Q. Well, now, when that stock is pledged, where in the bank, in the First National Bank of Denver, does it go?

A. In our Collateral Department, with other collateral.

Q. And is a record kept of the fact that it is security for a loan pledged by a correspondent banker, for purchase of his stock in his bank?

A. Each borrower has a separate sheet down there. Ask that again, will you.

(Question read.)

A. No, sir, not for purchase of the stock. It is listed on this collateral sheet, what the stock is, but they have no record of what it was used for.

Q. But there is an existing collateral sheet of all——

A. All pledged collateral, yes, sir, in the whole bank.

Q. All pledged collateral?

A. Yes.

Q. With regard to these loans made to officers of correspondent banks, to purchase stock in their own banks, do

those banks maintain correspondent balances with the First National Bank of Denver?

A. In most instances.

Q. Now, in that kind of a loan, is it customary to require from the officer himself the maintenance of a compensating balance of any kind with the First National Bank of Denver?

A. No, sir.

(Pause.)

THE WITNESS: No, sir.

Q. (By Mr. Schoepke) Mr. Stubbs, now that you have had a lengthy conversation with Mr. Metzger, would you answer the question, please.

MR. METZGER: Now, let me state on the record, to make it clear, what we were talking about. My representations with any of the witnesses of this bank have been for the purpose of clarification. If counsel wishes to ask some questions and to have answers that do not reflect the witness's true understanding of the facts, then I suggest that he is representing the wrong agency. I think we have had enough of this kind of representation in the record of this proceeding, and I hope that we can stop it from now on.

MR. SCHOEPKE: Well, it is certainly not customary for a lawyer to instruct the witness in the course of a deposition, as to the answer he should give, or coach him in the manner that sometimes apparently takes place before Congressional committees.

Again, I state, as I stated yesterday, that if Mr. Metzger wants to bring out things, he may bring them out on cross-examination. I have not made a technical issue of this, but I do think that sometimes, Mr. Metzger, you are carrying it a little bit too far.

MR. METZGER: Thank you for your instruction as to procedure in these matters, counsel. Now, would you proceed.

MR. SCHOEPKE: Now would the reporter state the last question.

(Previous question and answer read.)

THE WITNESS: That is a correct answer.

Q. (By Mr. Schoepke) Does that answer stand?

A. Yes, sir. It isn't customary in individual loans. You know—General Motors and General Electric, certainly we require compensating balances.

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Q. You do?

A. Sure. Everybody does.

Q. But you said—did I misunderstand you? You said it was not customary or it was customary——

A. It was not customary for the individual.

Q. For individual loans?

A. (The witness nodded affirmatively.)

Q. Not customary, for loans to individual persons, to require a compensating balance?

A. That is correct, it is not.

Q. Is it customary in individual loans to require them to post collateral of some kind?

A. No.

Q. Now, does your Correspondent Bank Department call on the customers of the other banks in Denver who are in the correspondent banking business?

A. The customers of other banks?

Q. Of the other banks in Denver that you have identified as being engaged in the correspondent banking business.

A. If I understand the question, do we call on customers of banks that also have correspondents?

Q. Yes.

A. Surely.

Q. And for what purpose do you call on them?

A. Solicitation of their business.

Q. You try to take them away, perhaps, from their existing correspondent?

A. Surely.

Q. Is that correct?

A. From competition, yes, sir.

Q. Does your Correspondent Bank Department solicit correspondent business of the subsidiary banks of other Colorado holding companies?

(Pause.)

A. I am trying to think in an area where a company, in Littleton or some place—yes, if they are good customers, we certainly want to get them. Yes, we will make calls on them. Well, our department will not, the Business Development Department will.

Q. That was not the question, Mr. Stubbs. Do you solicit the subsidiary banks of other Colorado holding companies?

A. No, sir. If I understand your question, the present

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banks in the United Banks of Colorado holding company—do we go solicit accounts from them?

Q. Yes, that is my question.

A. Yes, on that basis—some.

Q. I don't know what you mean, "on that basis." You had a long conversation here with Mr. Metzger. Just answer the question.

A. There are several holding companies in Colorado. We have not solicited any account from any member of their holding company, or Colorado National's holding company. The new holding company just formed, A.B.C., the thirteen-bank holding company, yes, sir.

Q. They have no Denver subsidiary at this time?

A. That's right.

MR. SCHOEPKE: Well, I have no further questions.

Is there anything that you haven't covered, that you'd like to bring out on cross, Mr. Metzger?

MR. METZGER: I have asked no questions to date, counsel. I hope the record is very clear on that, and thank you very much, Mr. Stubbs.

MR. SCHOEPKE: We will adjourn your deposition to an indefinite future time.

MR. METZGER: This is a representation of the Government with which counsel for the defense does not concur.

.....

(Signature of Witness)

Subscribed and sworn to before me
this .... day of ....., 1970.
My Commission expires .....

.....

Notary Public

CERTIFICATE

State of Colorado }
City and County of Denver } ss.

I, Bertram Naster, Notary Public and Certified Shorthand Reporter, State of Colorado, duly commissioned to administer oaths, do hereby certify that previous to the commencement of the examination of the said Carrol L. Stubbs, said witness was duly sworn by me to testify the truth, the whole truth, and nothing but the truth, and was thereupon interrogated as set forth in the foregoing deposition;

That the said deposition was taken in machine shorthand by me at the time and place aforesaid and was reduced to typewriting under my supervision;

That the foregoing is a true transcript of the questions asked, the testimony given, and the proceedings had;

That I am not attorney or counsel, or in any way connected with any attorney or counsel, for any of the parties to said action, or otherwise interested in its event.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal this ..... day of ....., 19 .

My Commission expires June 9, 1974.

.....

BERTRAM NASTER,
Notary Public

DX-79

OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

April 26, 1971

Dear Mr. Brown:

Pursuant to Mr. Wolfe's visit to your bank on April 20, 1971, for purposes of conducting a compliance review, I would like to take this opportunity to thank you, Miss Kealiher and Mr. DeBell for the cooperation and cordiality extended to him.

As explained in earlier correspondence to your Vice President and Director of Personnel, the purpose of the visit was to evaluate the employment policies and practices of the bank to ascertain the degree to which women and minority group people are being afforded equal opportunity.

There is no doubt as to the bank's commitment to this effort, for the report I have received evidences some very commendable results, such as:

the significant representation of minority group employees,
the number of them applying for work,
and the percentage hired in the past six months.

These achievements suggest that your credibility as an equal opportunity employer has been established. Certainly, the participation of key staff members in various community projects and civil rights organizations contributed to this.

Although the bank's Affirmative Action Program is acceptable for 1971, I understand that in conjunction with members of your staff, Mr. Wolfe pointed out some possible deficient areas. To strengthen the bank's equal opportunity posture he made recommendations to which you agreed. For your confirmation I am restating them:

1. As you update the bank's Affirmative Action Program for 1972 based on the newly initiated Cost Unit Feed-Back System, determine minority group under-utilization by job category and make specific projections to correct deficiencies.

2. Have minority group representation in all Departments and Cost Centers where feasible, as vacancies occur, and when qualified or qualifiable people are available.

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In general, it is obvious that The First National Bank of Denver has "walked the extra mile" in attempting to afford equal employment opportunity and therefore, it gives me pleasure to find this institution in compliance with Treasury Regulations.

Again, thank you for your cooperation.

Sincerely yours,

David A. Sawyer
DAVID A. SAWYER
Director
Equal Opportunity Program

Mr. Theodore D. Brown
Executive Vice President
The First National Bank of Denver
17th at Welton Street
Denver, Colorado 80202

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DX-80

THE FIRST NATIONAL BANK OF GREELEY
Robert M. Gilbert, President

April 19, 1971

Mr. Eugene J. Metzger
Metzger, Schwarz & McKenna
Attorneys at Law
One Farragut Square South
Washington, D. C. 20006

Dear Gene:

Enclosed herewith is copy of letter and material which I received this morning from The First National Bank of Chicago, one of our eastern correspondents.

This may not be of any use to you, but I thought you should be aware of it in view of the correspondent banking theory recently raised by the Justice Department.

Looking forward to seeing you soon,

Sincerely,

Bob
President
RMG:hc
Enclosures

BOOK TOO LARGE FOR FILMING-POSSIB

1991

THE FIRST NATIONAL BANK OF CHICAGO

William T. Dwyer/Vice President
Division F/Commercial Banking Department

April 15, 1971

Mr. Robert M. Gilbert
President
First National Bank
P. O. Box 1058
Greeley, Colorado 80631

Dear Mr. Gilbert:

During our Conference of Bank Correspondents late last November, I told you of our plans to distribute to you an Advance Planning Manual covering the major ways in which we can serve you.

Prior to completion of the Manual, I want you to have this most important chapter: the section covering *Loan Assistance.* Not only is this a fundamental part of our correspondent service to which we have been giving increased attention, but there is no function of your bank in which advance planning can be more meaningful.

In an attempt to greater activate this service, we suggest following these important steps:

1) Please use the "request forms" to list loans for participation.
2) Send statement and operating figures of your borrower when you mail these forms to us.
3) Call your First Chicago representative with details if this seems more practical than using the form, and
4) On our part, we will be phoning you or visiting with you soon to encourage your use of this service.

Furthermore, we invite your response on the matter of advance planning and the use of this approach to describe our services.
Thank you.

Sincerely,
Illegible

One First National Plaza/Chicago, Illinois 60670

THE FIRST NATIONAL BANK OF CHICAGO

Division F, Banks & Bankers
Advance Planning Manual
Service: Loan Assistance Program

I. *Overlines*

You are already aware of our desire to be of assistance to your bank on loans which exceed your "authorized" loan limit. Your "authorized" loan limit may be defined as

(1) your legal limit established by statute or regulatory authority, or
(2) your in-bank policy limit established by your Board of Directors or Chief Lending Officer.

In either instance, we at The First National Bank of Chicago are anxious to be of assistance to your credit worthy customers which exceed your authorized loan limit and which have had our prior credit approval.

II. *Liquidity Line of Credit*

This is a new service of The First National Bank of Chicago and represents a one-year commitment in advance to your bank for a pre-determined amount of credit indicating that we will participate in your credits which have had our prior approval. In order to take maximum advantage of this program, we recommend that your bank submit for our approval as early in the year as possible the financial information necessary to approve these participations with your seasoned and credit worthy customers. This does not preclude the submission of additional customers' names for approval as the year progresses, but we do ask your cooperation in allowing us at least one week to give adequate consideration to these requests.

III. *These are the Types of Borrowers You Will Be Considering*

A. *Agricultural Credits*

1. *Livestock Loans*—available to your customers whose livestock operations are becoming larger and more complex. A high degree of management skills is required to be successful in these expanding operations. Our agricultural

BOOK TOO LARGE FOR FILMING–PO

loan specialists have had many years' experience in financing all segments of the livestock industry, including feeder cattle, breeding cattle, hogs, and dairy operations. When your bank needs assistance in large livestock loans, why not ask one of our experienced livestock loan officers for assistance?

2. *Crop Loans*—available to your bank's customers who are involved in large corn or soybean farming as well as those who engaged in more specialized crops. Our agricultural loan officers have had lending experience in all of these areas and stand ready to be of assistance to your bank and your customer.

3. *Term Loans*—available to your bank's customers who may be contemplating unusually large capital investments for foundation livestock, machinery and equipment, enclosed feeding pens and other fixed asset expenditures. These loans are usually extended for periods of three to five years and borrower should be able to demonstrate ability to repay this loan out of earnings within that period of time.

B. *Commercial Loans*

1. *Working Capital Loans*—available to your bank's customers whose business is cyclical or seasonal in nature with proceeds of our loan being used to carry peak inventories and receivables. Generally these loans should be paid out completely once or twice a year for at least 30-60 days.

2. *Term Loans*—available for the purchase of new plant facilities, equipment, rolling stock, fixtures, etc. to customers with an established record of earnings and repayable over period of three to five years; this includes considerations of revolving credits which evolve into a term loan.

3. *Acquisition Loans*—available to your bank's customers who are interested in acquiring other companies or divisions of other companies so as to expand their growth pattern.

4. *Interim Construction Loans*—Whenever your bank's customer has a takeout commitment from a reputable institutional lender to make a first mortgage on a new plant, office building, warehouse, etc. be sure to contact The First

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National Bank of Chicago about our interest in handling or participating in the interim construction loan.

5. *Installment Credit Loans*—some of your customers may be distributors or retailers of automobiles, boats, mobile homes, travel trailers, personal airplanes, etc. and may need help in financing their receivables.

C. *Holding Company Lines*—if your bank is now or will become a subsidiary of a bank holding company, please contact us for lines of credit to the holding company which will be used primarily to back up the issuance of commercial paper but may include use for operating capital needs as well.

D. *Summary*—The First National Bank of Chicago is anxious to be of assistance to your bank and its customers on all types of credit accommodations. In order to assure full employment of your loanable funds, we recommend that our participation be on the basis of last-in-first-out or we will agree to participate on a pro-rata basis from the outset, depending on which program best suits your loan portfolio.

By obtaining our commitment in advance, you can help your customer avoid the uncertainties of last year's economic conditions which severely limited our ability to assist our correspondent banks on loan requests involving acquisitions and other non-productive purposes.

For your convenience, please use the request sheet which follows on the next page.

THE FIRST NATIONAL BANK OF CHICAGO

Division F, Banks & Bankers
Advance Planning Manual
Request for Loan Assistance

Date .....

The First National Bank of Chicago
One First National Plaza
Chicago, Illinois 60670

Attention: .....

Please contact the officer listed below, regarding loan assistance to our customer:

.....
Name of Customer

Nature of transaction: .....

.....

.....

.....

Legal Limit $ ..... Bank: .....

In-House Limit $ ..... Address: .....

Participation Officer's Name: .....

Amount $ .....

Total Credit

Available $ ..... Title: .....

For Use Within FNBC

Disposition	*Date*	*By*
Received	.....	.....
Logged	.....	.....
Territory	.....	.....
Credit Adm.	.....	.....
Bank Advised	.....	.....

1995

THE FIRST NATIONAL BANK OF CHICAGO

Division F, Banks & Bankers
Advance Planning Manual
Request for Loan Assistance

Date .....

The First National Bank of Chicago
One First National Plaza
Chicago, Illinois 60670

Attention: .....

Please contact the officer listed below, regarding loan assistance to our customer:

.....
Name of Customer

Nature of transaction: .....

.....

.....

.....

Legal Limit $ ..... Bank: .....

In-House Limit $ ..... Address: .....

Participation Officer's Name: .....

Amount $ .....

Total Credit

Available $ ..... Title: .....

For Use Within FNBC

Disposition	*Date*	*By*
Received	.....	.....
Logged	.....	.....
Territory	.....	.....
Credit Adm.	.....	.....
Bank Advised	.....	.....

1996

BOOK TOO LARGE FOR FILMING–PO

[22] IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. C-2413

UNITED STATES OF AMERICA,
Plaintiff,

vs.

FIRST NATIONAL BANCORPORATION, INC., AND THE FIRST NATIONAL BANK OF GREELEY,
Defendants.

TRANSCRIPT OF PROCEEDINGS

Courtroom D
United States Court House
Denver, Colorado
Monday, August 9, 1971

The above-entitled matter came on for hearing at 9:30 a.m. before the HONORABLE WILLIAM E. DOYLE, Judge.

APPEARANCES:

For the Government: HERBERT G. SCHOEPKE and ALAN R. MALASKY, United States Department of Justice, Anti Trust Division, Washington, D. C., and CAROLYN J. MCNEILL, Office of the United States Attorney, Denver, Colorado.

For the Defendants: METZGER, NOBLE, SCHWARZ, MCKENNA and KEMPLER, Attorneys at Law, One Farragut Square South, Washington, D. C.

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[23] Whereupon, KEITH ANDERSON
was called as a witness and, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

By MR. SCHOEPKE:

Q. Please give your name and address and your occupation.

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A. My name is Keith Anderson, I live at 4400 East Quincy in Arapahoe County. My occupation is that I am employed by some individuals who are attempting to organize a bank holding company.

THE COURT: You are employed in this proposed Exchange National Bank and First National Bank of Pueblo proposal?

THE WITNESS: Yes, Your Honor.

Q. (By Mr. Schoepke) Mr. Anderson, I show you what [24] has been marked as Plaintiff's Exhibit 242 for identification and ask you if you recognize that document?

A. Yes, sir, I do.

THE COURT: Do you object to the authenticity of this?

MR. METZGER: We do not object to the authenticity. Of course, we would object to the entrance of any of the documents on the grounds of relevance.

THE COURT: We will reserve a ruling on receiving this in evidence until we have heard all of your evidence. But the record can show that it is an authentic document.

MR. SCHOEPKE: Also on that, Your Honor, the copy that has been marked as Plaintiff's Exhibit for the record is a photostatic copy or a Xerox copy. Does the Defendant object to it except for his——

MR. METZGER: No objection to the authenticity of any document.

THE COURT: If he agrees to the authenticity, why he doesn't care about the Xerox aspect of it.

Q. (By Mr. Schoepke) Mr. Anderson, this document is entitled "Agreement to Organize a Corporation" and there follows a list of names of the people involved in the agreement, and among the names is Keith Anderson. Are you the Keith Anderson involved?

A. Yes, sir, I am.

[25] Q. Is your signature attached to that agreement?

A. That's correct.

Q. Could you just point it out.

A. It is on Page 13.

Q. I would also like to direct your attention to Page 9 of the document and we have—I might explain, Your Honor, deleted from there the exchange rates involved. I believe counsel has no objection to our doing that. It really

has nothing to do with the present status. Does counsel agree to that deletion?

MR. METZGER: Yes.

Q. (By Mr. Schoepke) Could you tell us, if you will, what the present status of that agreement is?

A. This is an agreement by the chief executives of seven Colorado banks to organize a corporation which would act as a bank holding company. After it was signed, it developed there were some differences in philosophy as to how such a company should operate. And by mutual agreement two of the banks have decided to withdraw. This agreement will be terminated and replaced by a virtually identical one which covers the five remaining banks.

Q. Well now, could you tell us, Mr. Anderson, who the two banks are?

A. The two banks withdrawing are Guaranty Bank and Trust Company and Guaranty Bank of Stapleton.

[26] Q. Where is Guaranty Bank and Trust Company located?

A. It is located in downtown Denver.

Q. Guaranty Bank of Stapleton?

A. It is located at Stapleton Airport.

Q. How many banks, then, are presently prepared to execute——

THE COURT: Five, that's what he said.

Q. (By Mr. Schoepke) Could you state the names of those five banks and their locations as to city.

A. The First National Bank of Pueblo and Park National Bank, both of which are located in Pueblo. The Exchange National Bank in Colorado Springs. Cherry Creek National Bank which is located in Denver. South Denver National Bank which is located in a portion of Arapahoe County which is totally surrounded by the City of Denver.

Q. And on the first page of Plaintiff's Exhibit for identification 242, I note reference that, one, to the effect that one of the parties is to be an organization called Rocky Mountain Financial Services, Inc.?

A. Yes, sir.

Q. Will you describe that organization.

A. Rocky Mountain Financial Services, Inc., is a one-bank holding company which owns all the stock of Park

National Bank to which I previously referred except for directors' qualifying shares. In addition, it owns a small industrial [27] bank, a small credit life insurance company, a leasing company and a finance company.

MR. SCHOEPKE: Your Honor, I offer Plaintiff's Exhibit 242 for identification into evidence understanding the Court reserves the ruling on that.

THE COURT: Very well.

Q. (By Mr. Schoepke) Mr. Anderson, at the time that the seven Colorado banks that you have described executed their agreement to form a new bank holding company, was any press release issued at or about that time?

A. A press release was issued before the document was executed.

Q. I show you what has been marked as Exhibit 243 for identification and ask you if you recognize that document?

A. Yes, sir, I do.

THE COURT: No dispute about the authenticity of this I take it?

MR. METZGER: No, Your Honor.

THE COURT: We will reserve a ruling on this. You needn't identify it because it is agreed that it is what it purports to be, namely, a press release.

Q. (By Mr. Schoepke) This is a press release that was issued at that time?

A. Yes, sir.

MR. SCHOEPKE: Plaintiff offers it into evidence.

[28] THE COURT: We will reserve a ruling on it.

MR. SCHOEPKE: We have no further questions of Mr. Anderson.

CROSS-EXAMINATION

By MR. SCHWARZ:

Q. Mr. Anderson, would your organization, this new holding company, have been formed or attempted to be formed had there been no other bank holding companies in Colorado?

A. I can only answer for myself. I was a director of the two largest banks involved, I was very much in favor of doing so. I did participate in organizing the first of the larger companies in the state. I always believed it is a desirable method of doing business.

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Q. Mr. Malasky in his remarks preceding this testimony and, indeed, in their brief referred to the proposed holding company, yourself, as a statewide holding company; is that true?

A. No, sir, it was—the only banks presently interested in joining us are Pueblo, Colorado Springs and Denver.

Q. No banks in Greeley?

A. No, sir.

Q. Now, Mr. Anderson, are there plans for this holding company to enter into the correspondent banking service?

THE COURT: I think you are making a terrible mistake. You are going to open the door and we are going [29] to have a trial on the merits. All they proved——

MR. SCHWARZ: I withdraw the question.

THE COURT: Okay, thank you.

REDIRECT EXAMINATION

By MR. SCHOEPKE:

Q. I have just one question. With respect to Mr. Schwarz' question on statewide coverage, is it the present plan of your organization to confine itself to Colorado Springs and Denver?

A. No, sir, we would consider acquiring other well-managed banks in other parts of the state if the opportunity should present itself.

Q. The First National Bank of Greeley, should that become available, would you rule it out as a possibility at this time?

A. I would not rule it out. I would have to add, however, that I have never been in the bank and I have never met Mr. Gilbert until this morning, so our interest would be hypothetical at this time.

MR. SCHOEPKE: I have no further questions.

THE COURT: I believe that's all, Mr. Anderson. You may be excused from further attendance at this hearing.

MR. MALASKY: If it please the Court, the Plaintiff will call Mr. Roger Knight.

[30] ROGER KNIGHT

was called as a witness and, having been first duly sworn, was examined and testified as follows:

THE COURT: Please take the witness chair and state your name and address and your occupation to the reporter.

THE WITNESS: Roger B. Knight, Jr., 6 Lynn Road, Cherry Hills. I am President of the United Banks of Colorado.

DIRECT EXAMINATION

By MR. MALASKY:

Q. How long have you been President of the United Banks of Colorado?

A. Since its formation. I think we were granted approval in '64.

Q. 1964?

A. 1964.

Q. Now, Mr. Knight, the record in this case indicates that the United Banks of Colorado had proposed to acquire The Colorado Springs National Bank and that the Federal Reserve Board had approved on October 29, 1970, that proposed acquisition and that on November 26, 1970, the United States filed suit under Section 7 of the Clayton Act challenging that proposed acquisition. Could you tell the Court the present status of that proposal?

A. Well, it is non-existent. The proposal expired the day after the hearing.

[31] Q. And has that fact been publicly announced?

A. We announced a few weeks ago that there would be no re-negotiation.

Q. Could you state whether or not the United Banks of Colorado, Incorporated, presently have plans of acquiring any other banks in Colorado Springs?

A. Yes, we have.

Q. Which bank is that?

A. Colorado Commercial.

Q. And when was this announced?

A. I don't remember the exact date but it seems to me it must have been around the end of June or the first part of July.

Q. Was this announced by press release?

A. Yes.

MR. METZGER: To save the record, Your Honor, we will stipulate that the two documents, the press release dated 6/29/71 and a letter to Mr. Farrar dated November, 1971, are authentic copies.

THE COURT: That will be noted.

MR. MALASKY: Your Honor, is there any need for Mr. Knight to identify this as the press release?

THE COURT: No, it is agreed that it is what it purports to be. It says on its face that he announced it that day.

[32] MR. MALASKY: I would offer Plaintiff's Exhibit for identification 244 into evidence at this time.

THE COURT: We will reserve a ruling on that one.

Q. (By Mr. Malasky) Mr. Knight, is there presently existing any agreement or contract for the purchase of the Colorado Commercial Bank by the United Bank of Denver?

A. There is an agreement between the holding company and the principal owners of the bank.

Q. Principal owners being——

A. Mr. Fred Farrar and family.

MR. MALASKY: This is Plaintiff's Exhibit 245 which Mr. Metzger has stipulated to insofar as authenticity is concerned, and I would offer it into evidence.

THE COURT: We will hold the ruling on that one too.

MR. MALASKY: No further questions.

MR. METZGER: No questions.

THE COURT: Thank you, Mr. Knight, you may be excused from further attendance at this hearing.

Do you have any others?

MR. SCHOEPKE: No, Your Honor, that concludes the additional evidence.

MR. METZGER: I should like very briefly to call Mr. Bruce Alexander.

Whereupon,

BRUCE D. ALEXANDER

was called as a witness and, having been first duly sworn, [33] was examined and testified as follows:

THE COURT: Take the witness chair and give your name and address and your occupation.

THE WITNESS: Bruce D. Alexander; I live at 290 Dexter Street, Denver; President, First National Bancorporation.

DIRECT EXAMINATION

By MR. METZGER:

Q. Mr. Alexander, did you ever make any attempt to acquire the Colorado Commercial Bank?

A. We had discussions with the principal shareholder.

Q. You did?

A. Yes.

Q. Did you view the Colorado Commercial Bank as a vehicle for service to the business community in Colorado Springs?

A. Yes, sir.

Q. Would you similarly view the State Bank of Greeley?

A. No, I would not.

Q. As a vehicle for that purpose. I show you the opinion of the Federal Reserve Board dated August 5, 1971. In discussing and approving the acquisition by the First and Merchants Corporation of Richmond, Virginia, of The First National Bank of Danville in Danville, Virginia, and I read to you the following statement and I ask you if it accords with your experience as to the usability of the State Bank [34] of Greeley for the purpose for which you would acquire that bank.

MR. SCHOEPKE: I object to that, Your Honor. This is a Federal Reserve opinion on an acquisition in Virginia. I think it is highly remote, certainly not proper direct examination.

MR. METZGER: If I may recite——

THE COURT: Just ask him the question.

Q. (By Mr. Metzger) There is little likelihood of applicant acquiring a smaller bank in the Pittsylvania market than First National. There are four independent banks headquartered in Danville besides First National. Of these four, two are converted industrial loan associations which are unsuitable because of their size and inexperience in commercial banking practices. Does that accord with your experience?

A. Yes.

Q. And the question is also raised that there are three other independent banks in Pittsylvania which are located outside of Danville. The other two banks are relatively small and in smaller towns and are not attractive to applicant at this time. Does this accord with your experience with the two banks that the Plaintiff had proposed that you might acquire outside of Greeley?

A. Yes.

[35] MR. SCHOEPKE: I object, Your Honor.

THE COURT: Sustained. He is trying to shore up the findings because we didn't make any comment in our decision regarding the suitability of that former savings bank in Greeley. I think he just wants to do a little work on his own.

MR. SCHOEPKE: I move the testimony be stricken.

MR. METZGER: This is precisely the point Plaintiff raised in his brief, this is what he brought this hearing——

THE COURT: You mean his post-trial brief?

MR. METZGER: His brief on this motion.

THE COURT: Well, I am hesitant to make any kind of a finding as to the relationship of this tendered evidence to our case.

MR. METZGER: Your Honor, I merely offer it in the event that the Court wishes to consider that there is some relevance in the proposed acquisition of Colorado Commercial by United Bank to our case. I would suggest that if that is relevant, which I deny, this is relevant, which I suppose I deny too.

THE COURT: We will permit the evidence to stand.

MR. METZGER: That's all I have.

MR. SCHOEPKE: May I cross-examine?

THE COURT: Yes, you may.

[36] CROSS-EXAMINATION

By MR. SCHOEPKE:

Q. Mr. Alexander, you indicated in your direct examination that you had given consideration to acquiring the Colorado Commercial Bank in Colorado Springs?

A. Yes, sir.

Q. When was the first time that you did that?

A. 1968, I think it was.

Q. Have you given any consideration at any other time subsequent to it to the possibility of obtaining Colorado Commercial Bank?

A. Yes.

Q. When was that?

A. In May of 1971.

Q. And in what way did you give consideration to the acquisition of the Colorado Commercial Bank?

MR. METZGER: Objection. It goes considerably beyond the scope of direct examination.

MR. SCHOEPKE: He brought in the consideration that had been given to the acquisition of this foothold or the possibility of acquiring a foothold. It was confined to one time that it was considered. It was considered in other times and I believe that should come out in the evidence.

MR. METZGER: Counsel is again characterizing this acquisition in a way inconsistent with the testimony of the [37] witness.

THE COURT: Well, I think Mr. Alexander can answer adequately so we will permit him to answer for this limited purpose. I am not saying that this is any issue here at all but it is a theoretical issue. You are making an offering, he offered some evidence conditionally and this is, I take it, in the same vein.

MR. SCHOEPKE: Yes, Your Honor.

Q. (By Mr. Schoepke) In what way did you give consideration in May of 1971 to the possibility of acquiring the Colorado Commercial Bank?

A. I received an offer of bid on the Colorado Commercial Bank. We consider the offer.

Q. Would you say that again?

THE COURT: He received a bid, he gave it consideration.

Q. (By Mr. Schoepke) You received a bid or you received an offer to make a bid?

A. We received an offer to make a bid.

Q. Did you receive that offer to make a bid before or after the time that you announced or that you came to the agreement with Mr. Farrar to terminate the agreement concerning the acquisition of the Exchange National Bank?

A. We received it after the agreement on the Exchange National Bank was terminated. We didn't terminate it. [38] Q. Well, after the termination, I will accept that. Now, after receiving this invitation to make a bid on the Colorado Commercial Bank, did you make a bid?

A. Yes.

Q. Now, I would like to ask you with respect to your testimony concerning converted industrial banks, the South Platte National Bank. Is that to your knowledge a converted industrial bank?

A. Not to my knowledge it isn't.

Q. Is the Eaton Bank a converted industrial bank?

A. Not to my knowledge.

* * * * *

[39] THE COURT: The motion to reopen the trial for the purpose of hearing additional evidence will be denied. The proposed evidence has to do with an announcement of the forming of a new bank holding company and a proposal to acquire banks in Colorado Springs and in Pueblo in addition to Denver. This announcement came after the trial but before the final judgment of the case was entered and the request is that we take this into evidence and deal with it in our findings one way or the other. But, and I do not see that we can open the case or make additional findings upon the basis of something that has occurred subsequently and is not directly related to any of the evidence in the case. It is not newly discovered evidence as provided for by the rules and, as I suggested earlier, it is not possible to try these cases on a continuing basis. There has to be some finality. In other words, it seems to me fair to permit the Government [40] to present what they wished to present here so that they will have a record and they can utilize this any way they wish when they seek a review in the United States Supreme Court as to the other tendered evidence, namely, the fact that the United Bank of Denver is seeking to acquire a different bank in Colorado Springs to take the place of the bank, The Colorado Springs National, which did not renew its contract, in my judgment this is wholly remote here because it only shows that an inference arises that if you deny the application for major acquisition that a foothold acquisition is apt to follow. The fact that it occurred in this instance does not raise any kind of an inference in the case at bar. We found in the case at bar that the evidence was clear that the Bancorporation would not go into Greeley on any foothold basis. Accordingly, what we are asked to do is to receive evidence which raises a circumstance or inference generally and then apply it to another situation in Greeley which has its own individual facts.

By the time we stretch the inference that far it becomes weak indeed. It wouldn't have any probative value whatever as I see it. Circumstantial evidence is all right but inferences differ in strength. Sometimes they are closed end in nature unless they have lots of—they are just as good as an eye witness sometimes and sometimes they are strung out as this one is so that the basic fact is so remote from [41] the ultimate conclusion that it has no probative value whatsoever.

Accordingly, I cannot see that this Colorado Springs evidence would be usable under any condition.

As to the other proposal, it involves a supplemental situation which can be dealt with by the Federal Reserve Board and by the Court if need be. If it is as diabolical as the Government maintains, they can fully test it out in court as an independent matter in the light of the conditions that are prevalent as of that time. I am surely sympathetic with the efforts of the Government to present their picture but I do not feel that it could affect the judgment, it could only serve to confuse it. And thus the motion to supplement the record must be denied.

* * * * *

PLAINTIFF'S EX. 242

AGREEMENT TO ORGANIZE A CORPORATION

AGREEMENT dated July 1, 1971 among FREDERICK M. FARRAR, O. DONALD OLSON, J. D. ACKERMAN, J. ROBERT ARMSTRONG, BOB JOHNSTON, JR., J. LAWRENCE HAMIL, BERT A. HEREFORD, WELDON B. HAMILTON, MUNRO L. LYETH, CHARLES B. NOVAK, JOE ALPERT, HERMAN HORWICH, VICTOR V. HAWKINS, I. J. SHORE, MARLIN D. DIXON, and KEITH ANDERSON, each of whom is for convenience referred to solely by his last name.

In consideration of the mutual promises contained herein, the Parties agree as follows:

I

Recitals

1.1 *Relationships.* Each of the Parties is related in the manner described below to one or more of the corporations described in the left column below, all of which (including Rocky Mountain, a non-banking corporation) are called the "Banks." In each case the Party is also a shareholder of the Bank to which he is related.

Bank	*Parties*	*Relationships*
First National Bank of Pueblo, Colorado ("First of Pueblo")	Farrar	Chairman of the Board
	Armstrong	President
	Johnston	A Director
	Anderson	A Director
Rocky Mountain Financial Services, Inc. ("Rocky Mountain")	Farrar	Chairman of the Board
	Hamil	President
	Johnston	A Director
	Hereford	President and a Director of Park National Bank of Pueblo, a subsidiary of Rocky Mountain.
Exchange National Bank of Colorado Springs, Colorado ("Exchange")	Farrar	Chairman
	Olson	President
	Johnston	Chairman of the Executive Committee
	Ackerman	A Director
	Anderson	A Director
Guaranty Bank & Trust Co. ("Guaranty")	Alpert	Honorary Chairman
	Horwich	Chairman
	Hawkins	President

Bank	*Parties*	*Relationships*
Guaranty Bank of Stapleton ("Guaranty of Stapleton")	Shore	Chairman
	Dixon	President
	Horwich	A Director
	Alpert	A Director
Cherry Creek National Bank of Denver, Colorado ("Cherry Creek")	Lyeth	Chairman
	Hamilton	President
South Denver National Bank ("South Denver")	Hamilton	Chairman
	Novak	President

1.2 *Desirability of a Holding Company.* Each of the Parties believes that it is in the best interests of the shareholders, officers, and employees of the Bank(s) with which he is related that a new registered bank holding company (the "Holding Company") be organized which will exchange its stock for stock of each of the Banks. The Parties believe the Holding Company can increase profits and net worth, can compete more strongly with Colorado's larger banking institutions, and can diversify its activities more effectively than the Banks can, if operated separately. The Parties further believe that securities of the Holding Company can enjoy a broader and more favorable market than the securities of the individual Banks, and that the Holding Company can achieve better access to deposits and other usable funds.

II

Organization of a Holding Company

2.1 *The Corporation.* The Parties agree promptly to cause a bank holding company corporation to be organized under the laws of Colorado or such other jurisdiction as counsel may recommend. The Holding Company will have such name, articles of incorporation, bylaws, capital stock, directors, officers, and counsel as shall be determined by a "majority" of the Parties. A majority of the Parties means the concurrence of the Parties representing Banks whose shareholders would receive a majority of the shares of the Holding Company if 100% of each Bank's shares were exchanged at the ratios fixed by this agreement. In case of disagreement among the representatives of any Bank the decision of a majority of such representatives shall

have the same effect as their unanimous concurrence. The Holding Company will at the inception issue no stock except the nominal amount which may be necessary to complete the formalities of incorporation. Anderson shall receive and hold such stock as nominee for the Parties. He shall sign an investment letter in the form prescribed by the Holding Company's counsel (which shall, however, refer only to such initial issuance), and the initial stock certificate shall bear an appropriate legend referring to such letter. On completion of the exchange described herein such initial stock shall be contributed to the Holding Company's treasury.

The initial board of directors shall be:

J. D. Ackerman
Joe Alpert
Keith Anderson
J. Robert Armstrong
C. Clay Crawford
Frederick M. Farrar
John W. Gray
J. Lawrence Hamil
Weldon B. Hamilton
Victor V. Hawkins
Herman Horwich
Bob Johnston, Jr.
George J. M. Kelly
Victor Lederman
Munro L. Lyeth
Charles B. Novak
O. Donald Olson
Karl R. Ross
Ira C. Rothgerber, Jr.
C. William Schlosser
Stan Selby
I. J. Shore

The initial executive committee shall be:

Keith Anderson
Frederick M. Farrar
John W. Gray
Weldon B. Hamilton
Victor V. Hawkins
Bob Johnston, Jr.
Victor Lederman
Charles B. Novak
Karl R. Ross

The initial officers shall be:

Frederick M. Farrar	Chairman
Keith Anderson	President
Weldon B. Hamilton	Chairman of Executive Committee
Herman Horwich	Vice Chairman
Joe Alpert	Chairman of Management Committee
Karl R. Ross	Secretary and Treasurer
Charles B. Novak	Assistant Secretary and Assistant Treasurer

2.2 *Application to Governmental Authorities.* The Parties

shall use their best efforts to cause the Holding Company to: (a) apply to the Board of Governors of the Federal Reserve System for, and obtain, prior approval of its acquisition of at least the percentages required by par. 2.4 of the issued and outstanding stock of each of the Banks under the Bank Holding Company Act of 1956, as amended; (b) register with the Securities and Exchange Commission under the Securities Act of 1933, as amended, and cause to become effective, an offer to exchange Holding Company common stock for all the issued and outstanding stock of the Banks, with the exceptions described herein: (c) take such action as may be required under the Securities Exchange Act of 1934; (d) register, file or otherwise qualify such offer under the "Blue Sky" laws of those states in which the board of the Holding Company decides to make the offer; (e) apply to the Internal Revenue Service for, and obtain, a ruling that the exchange of Bank stock for Holding Company stock will be taxfree under section 351 or section 368 of the Internal Revenue Code and covering such other matters as counsel shall consider important to the Holding Company and the exchanging shareholders; and (f) apply for and obtain such other governmental approvals and make such other filings and applications with governmental bodies as the Holding Company shall consider advisable. All of such matters are called "Governmental Requirements."

2.3 *The Exchange Offer.* (a) Promptly after satisfaction of the Governmental Requirements described in Sections 2.2(b), (c) and (d) the Parties will cause the Holding Company to offer to exchange its stock for all the issued and outstanding stock of the Banks, except that such offer need not extend to shares held by persons residing in jurisdictions where in the judgment of the Holding Company board of directors the number of shares held is insufficient to justify the cost of qualifying the offer under applicable Blue Sky laws. (b) The offer shall be accompanied by a transmittal letter for execution by each exchanging shareholder and a form of the trust agreement to which he becomes a party. Such trust agreement shall provide that the Bank(s) named therein (which shall be selected by the board of directors of the Holding Company and which are herein called the Exchange Agent(s) shall hold the certificates representing Bank stock until the

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closing, shall meanwhile issue to the exchanging shareholder a negotiable receipt and shall apply all of its normal stock transfer practices to such receipts. If the conditions precedent are satisfied within the applicable period, the Exchange Agent(s) shall promptly transfer the Bank stock into the name of the Holding Company and shall deliver certificates representing the appropriate number of Holding Company shares to each exchanging shareholder upon surrender of his negotiable receipt. If such conditions precedent shall not be satisfied within such period, then the Exchange Agent(s) shall return all certificates representing bank stock to the persons entitled thereto upon surrender of the negotiable receipts. Such trust agreement shall provide that until completion of the exchange the exchanging shareholder will retain the right to vote and to receive dividends, and it shall contain such further provisions as may be advisable in the opinion of counsel covering, among other things, practices relating to lost and destroyed certificates etc.

2.4 *Conditions Precedent to the Holding Company's Obligations.* (a) The offer, which shall be contained in a prospectus filed as part of a Registration Statement under the Securities Act of 1933, as amended, shall provide in substance, that the exchange shall not be made for the stock of any bank until satisfaction of the following conditions precedent: (i) satisfaction of the Governmental Requirements described in section 2.2 within such time periods as may be fixed in the offer, which may provide that the board of directors of the Holding Company has power to extend such period, except that the original period and all extensions made by such board shall not together exceed 18 months from the time the offer is first made. Such offer may further provide that by concurrence of the Holding Company's board of directors and the board of any Bank, such offer may be extended for a longer period with respect to shareholders of that Bank; (ii) acceptance of the offer by the holders of at least 51% of the issued and outstanding stock of each of such Banks; (iii) the absence of material and adverse changes with respect to the business, property or legal liabilities affecting any such Bank; (iv) material breach of any obligation hereunder; (v) compliance with sections 3.3 and 4.2 hereof; and (vi) such other conditions precedent as may be customary in similar trans-

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actions, and as are recommended by counsel, with customary provisions for termination and waiver.

(b) The satisfaction of each condition precedent to the Holding Company's obligations shall be determined by its board. These determinations shall be based upon the following documents, and such others as the board shall consider relevant: opinions of the Holding Company's counsel, with respect to the condition described in section 2.4(a)(i); certificates from the Exchange Agent(s) and the president of each Bank, with respect to the condition described in section 2.4(a)(ii); certificates from the Parties representing each Bank, supported if requested by the board of directors of the Holding Company by opinions of the Bank's counsel and a certificate of the Bank's chief financial officer, with respect to the condition described in section 2.4(a)(iii); and such certificates and opinions as the Holding Company's board shall consider appropriate, as to the other conditions precedent described in section 2.4(a) hereof.

2.5 *Conditions Precedent to the Obligations of Each Bank.* If at least 51% of the stock of Exchange, First of Pueblo, Cherry Creek, South Denver, or Guaranty is not deposited for exchange, or if any of the conditions described in sections 2.4(a)(i), (a)(iii), (a)(iv) or (a)(v) above are not met within the applicable time period, or if no such period is fixed by the Holding Company's board of directors, the board of the Holding Company shall give notice to that fact to each of the Parties, and they shall then have 15 days to give the Holding Company written notice of election to terminate with respect to the Bank with which they are affiliated. Written notice from a majority of the Parties representing any Bank shall be required in order to terminate the offer with respect to that Bank. Parties who do not give such notice within that time will be deemed to have waived compliance with the condition precedent involved. If the offer is termined as to any Bank, all of its stock which has been deposited shall be returned by the Exchange Agent(s) pursuant to the trust agreement. Its shareholders and the Parties affiliated with it, shall have no further rights, powers, duties or liabilities under this Agreement or under the terms of the offer except for liabilities accrued under par. 4.1.

Conditions precedent which require obtaining 51% of the stock of Rocky Mountain or of Guaranty of Stapleton,

or which arise under 2.4(a)(vi) may be waived by the board of the Holding Company and, if so waived, shall not be a basis for termination under this section 2.5.

III

Exchange Ratios

3.1 *The Ratios.* The exchange offer shall provide that the Holding Company shall exchange its shares of common stock for presently outstanding shares of the capital stock of each of the Banks at the ratios set forth below:

Name of Bank	No. of Holding Co. Shares to be Issued for Each Share of the Bank's Capital Stock	Total No. of Holding Company Shares to be Issued Assuming 100% Acceptance of the Offer

3.2 *Fractional Interests.* No fractional shares or scrip will be issued at the time of the exchange. Instead the Exchange Agent(s) will issue a purchase order under which each shareholder who would otherwise be entitled to a fractional share may for thirty days elect either to sell his fractional interest for cash or to purchase a fractional interest sufficient, when combined with his purchase order, to equal one whole share. The price for such fractional interests shall be fixed by the board of directors of the Holding Company, unless there is an actual market for Holding Company stock, in which case the market price shall prevail.

3.3 *No Dilution.* (a) No Party shall cause, or insofar as he is able to prevent such an occurrence, permit any Bank to issue or contract to issue additional options, warrants, scrip or shares of stock of any class or any other securities convertible into stock or conferring rights to acquire stock until the closing under the exchange offer, or cause or permit such action thereafter except with the approval of the holders of a majority of its stock. Each Party represents to the others that the Bank(s) with which he is affiliated do not now have outstanding any such

options, warrants, scrip, contracts, or convertible securities or other obligations to issue stock or other securities. In case additional stock or convertible securities are during that period issued or contracted to be issued the exchange ratio, applying to all stock of such Bank including stock already deposited, shall be the number obtained by dividing (a) the total number of shares of Holding Company stock issuable to the shareholders of such Bank under section 3.1, assuming 100% exchange, by (b) the number of shares of Bank stock to be outstanding after all additional shares issuable in such transaction (including conversions) have been issued.

(b) Notwithstanding the foregoing, if the regulatory authorities having jurisdiction over any Bank shall require that its capital be increased before the closing such Bank may issue additional stock for cash, in the smallest amount satisfactory to such authorities, at a price approved by the Holding Company's board, which shall affirmatively determine that such price will not result in any dilution of the per share book value or earnings of the Holding Company stock to be issued in exchange for stock of such Bank. In that event the exchange ratio for such Bank's stock shall remain unchanged, but the total number of Holding Company shares to be issued to such Bank's shareholders (assuming 100% exchange) shall be proportionately increased. The Parties shall, however, use their best efforts to persuade regulatory authorities to defer any such capital increase until after completion of the exchange.

IV

Covenants

4.1 *Affirmative Covenants.* Each of the Parties agrees as follows: (a) to use his best efforts to obtain the exchange of all the stock of the Bank with which he is affiliated for Holding Company stock. Such efforts shall include, without limitation, letters recommending the exchange, personal visits or telephone calls with shareholders, and organization of the bank's officers to make individual solicitations of all shareholders, all of which solicitations shall, however, comply with applicable securities laws; (b) to use his best efforts to cause all conditions precedent to the exchange to be satisfied within the applicable time limits; (c) to use his best efforts to cause the Bank with which he is affiliated

to lend to the Holding Company sums sufficient to pay for its share (based on the ratios set forth in section 3.1) of all costs of organization of the Holding Company (the Parties contemplate that Anderson and his secretary will be employed full time for that purpose) and (d) to keep the Parties and the Holding Company fully informed of all material developments in the business and affairs of the Banks with which they are affiliated, giving the Holding Company's officers, counsel and CPAs full rights to inspect the books, records, premises and operations of the respective Banks.

4. *Negative Covenants.* (a) Each of the Parties agrees not to cause, or insofar as he is able to prevent such an occurrence, to permit any of the Banks by action or omission to fail to satisfy the conditions precedent relating to the exchange of that Bank's stock. (b) Each of the Parties agrees to cause dividends and other distributions to shareholders of the Banks with which he is affiliated to be limited to the following amounts:

Bank	Amount
First of Pueblo	$0.50 per share per quarter
Rocky Mountain	$0.10 per share per year
Exchange	$0.75 per share per quarter
Guaranty	$1.50 per share per year
Guaranty of Stapleton	$0.50 per share per year
Cherry Creek	$0.40 per share per quarter
South Denver	$0.25 per share per quarter

V

General Provisions

5.1 *Notices.* All notices to be given under this agreement shall be sent by registered mail addressed to each of the Parties at his address as it appears immediately following his signature to this agreement. Any Party may, however, by notice so given to the Holding Company change his address for the purposes of future notices.

5.2 *Substitution of Parties.* In case of the death or disability of any Party the other Parties affiliated with his Bank shall promptly cause a board member, major stockholder, or senior officer to be substituted in his place as a Party to this agreement. Such substitution shall be ac-

complished by execution of an instrument by the Holding Company and by the new Party, affirming such substitution. Substitution may similarly be made upon request of any Party if consented to by the Holding Company's board of directors and by the new Party.

5.3 *Paragraphs, Headings, etc.* The headings of articles and sections herein are only for convenient reference and shall not affect the interpretation or effect of this agreement.

5.4 *Binding Effect.* This instrument may be executed in any number of counterparts each of which shall be considered an original. It contains the entire agreement of the Parties relating to the subject matter hereof. It may not be amended nor may obligations hereunder be waived except by an instrument in writing signed by all Parties. It shall bind and inure to the benefit of the Parties, their successors and assigns and the substitutes described above.

/s/ J. D. Ackerman
J. D. ACKERMAN
Address: 1406 No. Toote
Colorado Springs, Colorado 80909

/s/ Joe Alpert
JOE ALPERT
Address: 3501 East Floyd Dr.
Denver, Colorado 80110

/s/ Keith Anderson
KEITH ANDERSON
Address: 7901 East Belleview Avenue
Englewood, Colorado 80110

/s/ J. Robert Armstrong
J. ROBERT ARMSTRONG
Address: Illegible & 7th Avenue
Pueblo, Colorado 80110

/s/ Marlin D. Dixon
MARLIN D. DIXON
Address: 1830 S. Filbert St.
Denver, Colorado 80110

/s/ Frederick M. Farrar
FREDERICK M. FARRAR
Address: 80B 3084
Colorado Springs, Colorado 80901

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/s/ J. Lawrence Hamil
J. Lawrence Hamil
Address: 305 Burns Bldg.
Colorado Springs, Colorado 80902

/s/ Weldon B. Hamilton
Weldon B. Hamilton
Address: 3446 Smith Rave Street
Englewood, Colorado 80110

/s/ Victor V. Hawkins
Victor V. Hawkins
Address: 3601 So. Quaker St.
Denver, Colorado 80239

/s/ Bert A. Hereford
Bert A. Hereford
Address: 1518 Alexander Circle
Pueblo, Colorado 81001

/s/ Herman Horwich
Herman Horwich
Address: 1510 S. 10th Avenue, Apt. 10E
Denver, Colorado 80218

/s/ Bob Johnston, Jr.
Bob Johnston, Jr.
Address: Rt. 2 Box 44
Denver, Colorado 81039

/s/ Munro L. Lyeth
Munro L. Lyeth
Address: (illegible)
Colorado

/s/ Charles B. Novak
Charles B. Novak
Address: 3701 S. Pine Way
Denver, Colorado 80907

/s/ O Donald Olson
O. Donald Olson
Address: 314 W. Del Norte
Colorado Springs, Colorado 80907

/s/ I. J. Shore
I. J. Shore
Address: 3166 So. (illegible) St.
Denver, Colorado 80210

PLAINTIFF'S EX. 243

For release June 8, 1971]

The management of seven Colorado banks announced today that they have agreed to organize a new bank holding company. The banks are First National and Park National in Pueblo, Exchange National in Colorado Springs, and Guaranty Bank & Trust Co., Cherry Creek National, South Denver National and Guaranty Bank of Stapleton, all in Denver. In addition the new holding company will include Rocky Mountain Financial Services, Inc. of Colorado Springs and Pueblo, which owns an industrial bank, a finance company, a leasing company and a credit life insurance company, as well as Park National Bank of Pueblo. The holding company, which is yet to be named, will offer to make a tax free exchange of its stock for stock of the banks and Rocky Mountain Financial Services, Inc. as soon as legal requirements can be completed.

The banks in the group had 1970 yearend deposits of $211 million and 1970 after-tax earnings were $2.2 million. Assets of the banks, together with those of Rocky Mountain Financial Services, Inc. amounted to $240,322,849.

Frederick M. Farrar, who is chairman of First National Bank of Pueblo and Exchange National Bank of Colorado Springs, will be chairman of the new company; Herman Horwich of Guaranty Bank in Denver, will be vice chairman; Weldon B. Hamilton, President of Cherry Creek and Chairman of South Denver National, both in Denver, will be chairman of the executive committee. Joe Alpert, honorary chairman of Guaranty Bank & Trust Co., will be chairman of the management committee. Keith Anderson, Denver lawyer, will be president. The other organizers are: O. Donald Olson, President of Exchange; J. Robert Armstrong, President of First National of Pueblo; Bob Johnston, Jr., a director of First of Pueblo and of Exchange National; J. Lawrence Hamil, President of Rocky Mountain Financial; Bert A. Hereford, President of Park National of Pueblo; Munro L. Lyeth, Chairman of Cherry Creek National; Charles B. Novak, President of South Denver National; Victor V. Hawkins, President of Guaranty; I. J. Shore, Chairman of Guaranty of Stapleton and Marlin Dixon, president of that bank. The board will consist of representatives of all the larger banks.

Exchange National, which had $71 million of deposits on April 20, is the largest bank in the state which is not already a member of a holding company group.

The offer to shareholders of the various banks will be made by a prospectus which will be part of a registration statement to be filed soon with the Securities and Exchange Commission. The exchange cannot be completed until this registration becomes effective and until approval of the Federal Reserve Board is obtained. The organizers estimated today that all legal formalities can be completed in early 1972.

PLAINTIFF'S EX. 244

UNITED BANKS OF COLORADO, INC.
UNITED BANK CENTER
1700 Broadway
Denver, Colorado 80217

Contact: Thomas Stokes
892-7121

6/29/71 *For Immediate Release*

Roger D. Knight, Jr., President, United Banks of Colorado, Inc., announced today that United Banks of Colorado will purchase for cash controlling interest in the Colorado Commercial Bank. A similar offer will be made to the remainder of the bank's stockholders.

Colorado Commercial Bank is the fifth largest bank in Colorado Springs with assets of $19 million. United Banks of Colorado reported first quarter assets of $762 million and is the state's largest bank holding company.

Approval of the Federal Reserve Board is required to complete the acquisition.

In October of 1970, United Banks received approval from the Federal Reserve Board for acquisition of the Colorado Springs National Bank. The Justice Department later filed suit to block that acquisition. The purchase agreement between United Banks of Colorado and the stockholders of Colorado Springs National Bank has expired and will not be renegotiated.

Knight also announced that United Banks of Colorado will purchase a new building now under construction in Colorado Springs, which will house the Colorado Commercial Bank.

Other United Banks are located in Aurora, Boulder, Denver, Fort Collins, Grand Junction, Greeley, Lakewood, Littleton, and Pueblo.

Received July 6, 1971

PLAINTIFF'S EX. 245

UNITED BANKS
OF COLORADO, INC.

UNITED BANK CENTER
1700 Broadway
Denver, Colorado 80217
Telephone: (303) 244-8811

July 1, 1971

Mr. Frederick M. Farrar
5th Floor, Exchange National Bank Building
Colorado Springs, Colorado 80909

The Colorado Commercial Bank
(the "Bank")

Dear Mr. Farrar:

This letter when accepted by you will constitute our agreement concerning the purchase from you and your affiliates of certain Bank stock and of the new Colorado Commercial Bank Building and related property interests in Colorado Springs, Colorado. For convenience you will be called "Farrar" and we will be called "UBC."

1. *Sale of Bank Stock.* Subject to the terms and conditions of this agreement, the parties agree:

(a) UBC shall purchase from Farrar, acting for himself, members of his immediate family and trusts established for their benefit (all, including Farrar, called collectively in this paragraph 1 the "Sellers"), and Sellers shall sell to UBC, 69,858 shares of the Bank's $5 par value common stock (the "Stock") at a price of $42 per share, or an aggregate consideration of $2,934,036. Consideration for the Stock shall be payable in cash as follows:

(i) $850,870.44 on the Closing Date, and

(ii) $2,083,165.56 on January 2, 1972, except that if the Closing Date is in 1972 the entire purchase price shall be payable without interest on the Closing Date. Interest shall be payable quarterly on the amount set forth in (ii), the quarter-annual payments to be measured from the first day of the month in which the Closing Date occurs. The annual rate of interest shall be the prime rate on 90-day

loans to substantial and responsible commercial borrowers in effect from time to time at United Bank of Denver National Association, such rate to change automatically on the effective date of each prime rate change.

(b) UBC shall offer to purchase all additional shares of the Bank's outstanding common stock at a price of at least $42 a share. At the option of UBC this offer need not be made until and unless UBC has purchased the Stock hereunder.

(c) Sellers warrant and represent that they have full authority to sell and deliver the Stock and that the Stock will be delivered by them on the Closing Date free and clear of all liens, encumbrances, equities and claims. Sellers hereby reaffirm their warranties, representations and agreements in the Prospectus insofar as they relate to the Stock and the Bank. As used hereafter in this agreement the term "Prospectus" refers to the prospectus delivered by Farrar to UBC on May 10, 1971, as amended by his clarifying letter on May 28, 1971.

(d) Sellers further agree (i) that between the date of this agreement and the Closing Date the business of the Bank will be conducted only in the ordinary course, unless UBC specifically consents to contrary action, and (ii) that until the Closing Date UBC and its representatives shall have full access at reasonable times to the Bank's books, records and properties. Specifically, the Bank shall neither declare nor pay any dividends prior to the Closing Date.

2. *Sale of the Building.* Subject to the terms and conditions of this agreement, the parties agree:

(a) On the Closing Date, UBC shall purchase from the Owner thereof (the "Owner"), and Farrar shall cause the Owner to sell, the new Colorado Commercial Bank Building (the "Building") and related real property interests (the Building and such related interests hereafter collectively called the "Property") for an aggregate price of $2,300,000. Farrar represents the Owner to be a general partnership * of which Mr. Farrar's wife and Arkansas-Platte & Gulf, Inc. ("AP & G"), a Colorado corporation wholly owned by members of his immediate family, are the sole partners. The "related real property interests" referred to above

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* Named Colorado Commercial Bank Building Company.

are what are termed and described in the Prospectus as (i) the Krause Parcel and (ii) the leasehold interests in the Day and Rhodes Parcels. The stock of Jaberta Corporation, described on pages 4 and 5 of the Prospectus, shall be assigned with the Building for no additional consideration.

(b) The exact terms and conditions of the sale of the Property shall be set forth in a purchase agreement to be prepared and executed by the parties as promptly as possible after this letter has been signed by Farrar and returned to UBC. Such agreement shall contain provisions customarily found in real estate purchase agreements and shall contain provisions as to the following:

(i) UBC will assume ground rent payments as of the Closing Date, with any prepayments prorated to the Closing Date. Additionally, UBC will use its best efforts to obtain the release of Owners from any obligations under the Day and Rhodes ground leases.

(ii) The purchase price set forth above includes a commitment by AP & G to expend $197,250 in tenant "fixup" on floors 2 through 6 of the Building. Any such expenditures prior to the Closing Date shall be credited against the $197,250, upon satisfactory proof thereof, and any balance remaining as of the Closing Date shall be deducted from the purchase price.

(iii) Except as stated in (ii), the Building shall be completed on or before the Closing Date in accordance with the plans and specifications previously delivered to UBC.

(iv) Between the date hereof and the Closing Date the Owners will obtain UBC's prior consent to any proposed lease which has either (A) annual rent of less than $6.75 a square foot, or (B) a term of more than three years or (C) tenant "fixup" costs exceeding $4.70 per square foot. Notwithstanding the foregoing, the Owners shall not enter into any lease with the Bank or any lease covering any part of floor 2 without the prior consent of UBC. The consent of UBC will not be unreasonably withheld and UBC will use its best efforts and provide active support in the leasing of the Building.

(v) Commissions paid or payable for obtaining tenant leases for the Building shall be prorated between the parties as of the Closing Date and the Property

purchase price adjusted accordingly. Proration of each lease commission shall be based on the particular lease term or the term over which the commission is payable, whichever is longer.

(c) UBC will arrange a loan of up to $1,850,000 to AP & G, with interest at an annual rate 1% above the prime rate described in subparagraph 1(a) above, adjustable as therein set forth, on the following terms and conditions:

(i) the loan will be made on July 15, 1971;

(ii) the promissory note evidencing the loan will be executed by Farrar, his wife and AP & G;

(iii) the loan shall be secured by (A) a deed of trust covering the Property interests, which instrument will constitute a first lien subject only to the prior rights of the lessors of the Day and Rhodes ground leases, and (B) 18,500 shares of the common stock of The First National Bancorporation, Inc.;

(iv) the contents of financial statements supplied by Farrar and his wife indicate an aggregate net worth in excess of $2,400,000; and

(v) the loan shall be repaid from proceeds received by the borrowers on the Closing Date or, if this agreement is terminated pursuant to paragraph 5, on May 31, 1972.

3. *Contingency of Performance.* The obligations of each party hereunder is contingent upon the performance of all obligations of the other party. In particular, sale of the property is contingent upon sale of the Stock as herein described.

4. *Closing Date.* The Closing Date hereunder shall occur within 45 days after UBC has obtained approval from the Board of Governors of the Federal Reserve System of its acquisition of the Stock, the exact date, time and place of closing to be fixed by UBC upon at least 24 hours' notice to Farrar, except that if the proposed transaction is enjoined or stayed by court or governmental action such 45-day period shall be extended an additional 21 days. Notwithstanding anything in the Prospectus to the contrary, no additional option payment need be paid by UBC if the Closing Date does not occur on or prior to December 29, 1971.

5. *Termination.* (a) This agreement may be unilaterally terminated by either party (and the closing will not take place) if any of the following shall occur:

(i) The Federal Reserve Board renders an unfavorable ruling with respect to acquisition of the Stock by UBC.

(ii) The Closing Date has not occurred on or before April 30, 1972.

(iii) There has been a material and adverse change in the assets, liabilities or business of the Bank. A change will be considered "material and adverse" only if the book value of the Bank, as of the end of the month preceeding the month in which the Closing Date occurs, shall be 10% or more below the Bank's book value as of April 30, 1971. The latter book value (excluding the bad debt reserve) is hereby established to be $1,685,753, and for this purpose the government securities portfolio will be valued at cost and the stock of 400 East Pikes Peak Corporation will be valued at $200,000. Any dispute as to this matter shall be determined by the Bank's regularly employed independent public accountant.

(iv) The parties are unsuccessful in negotiating a purchase agreement with respect to the Property or, if negotiated, such agreement terminates by its terms on or prior to the Closing Date. It is understood that stated grounds for termination of such purchase agreement will include (A) inability to deliver good and marketable title, free and clear of all liens, encumbrances and claims (other than the rights of the lessors under the Day and Rhodes ground leases), and (B) a prior default under either of such ground leases.

(v) There has been a material breach of the other party's obligations hereunder or any of such party's representations and warranties hereunder are false or incorrect in any material respect.

(b) In case of any termination pursuant to subparagraph (a), neither party shall have any obligation to the other. The $100,000 transmitted to Farrar by UBC on June 9, 1971 shall be retained by Farrar unless UBC ter-

minated this agreement pursuant to (a)(iii), (a)(iv) or (a)(v), in which case such sum, without interest, shall be promptly returned to UBC.

(c) If the closing occurs as herein described, the $100,000 referred to above shall be applied against that portion of the purchase price of the Stock due on the Closing Date.

6. *Miscellaneous.* (a) Neither party shall, by act or omission, cause any representation or warranty in this agreement to become untrue or incorrect. Each shall use diligent and continuous efforts to cause the performance of all obligations hereunder.

(b) UBC warrants and represents that its proposed activities hereunder have been duly authorized by its board of directors.

(c) Unless otherwise defined, the terms used in this agreement shall have the same meaning given to them in the Prospectus.

(d) All notices and other communications shall be in writing and if for UBC shall be hand delivered or mailed, first class mail, to:

United Banks of Colorado, Inc.
1700 Broadway
Denver, Colorado 80202

and if for Farrar shall be hand delivered or mailed, first class mail, to:

Frederick M. Farrar
5th Floor, Exchange National Bank Building
Colorado Springs, Colorado 80902

(e) This agreement may not be assigned by either party and shall not be deemed to benefit any shareholder of the Bank other than the Sellers identified in subparagraph 1(a). With such exception, it shall be binding upon and inure to the benefit of the parties and their personal representatives, successors and assigns.

(f) The date of this agreement shall be deemed to be the date it is executed below by Farrar.

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If you agree with the foregoing, please so indicate by executing and returning two copies of this letter to us.

Very truly yours,

UNITED BANKS OF COLORADO, INC.
By [illegible]
President

ACCEPTED AND AGREED to
on July 1, 1971.

/s/ Frederick M. Farrar
FREDERICK M. FARRAR

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

UNITED STATES OF AMERICA, *Plaintiff,*	
v.	Civil Action
THE FIRST NATIONAL BANCORPORATION, INC. AND THE FIRST NATIONAL BANK OF GREELEY, *Defendants,*	No. C-2413

Filed, Aug. 27, 1971, G. WALTER BOWMAN, *Clerk.*

ORDER

In accordance with the oral opinion rendered by this Court on August 9, 1971, after hearing, regarding the disposition of Plaintiff's *Motion to Re-Open the Record, to Make Additional Findings of Fact and to Amend the Judgment*, dated July 22, 1971, and Plaintiff's *Motion to Extend the Statutory Stay*, dated August 3, 1971;

IT IS HEREBY ORDERED that the aforesaid *Motion to Re-Open the Record, etc.* is denied.

/s/ William E. Doyle
United States District Judge

Dated:
Approved as to form:

/s/ Herbert G. Schoepke
Attorney, Department of Justice
Attorney for Plaintiff

METZGER, SCHWARZ, MCKENNA & KEMPLER

By: Carl W. Schwarz
A Member of the Firm
Attorneys for Defendants

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

ED STATES OF AMERICA,
Plaintiff,

v.

T NATIONAL BANCORPORATION,
AND THE FIRST NATIONAL
K OF GREELEY,
Defendants.

Civil Action
No. C-2413

NOTICE OF APPEAL TO THE SUPREME COURT OF THE UNITED STATES BY THE UNITED STATES OF AMERICA

otice is hereby given that the United States of America, ntiff herein, appeals to the Supreme Court of the ed States, under the Expediting Act, 15 U.S.C. Section rom the judgment entered July 12, 1971, dismissing complaint in this action, which became final upon entry e order of August 27, 1971, denying the timely motion e plaintiff, United States, to re-open the record, make tional findings of fact and conclusions of law, and grant elief request in the complaint as amended.

JAMES L. TREECE
United States Attorney
/s/ Carolyn J. McNeill

By CAROLYN J. McNEILL
Assistant U. S. Attorney
323 U.S. Courthouse
Denver, Colorado 80202

HOWARD E. SHAPIRO
HERBERT G. SCHOEPKE
Attorneys
Department of Justice
Anti-Trust Division
Washington, D.C. 20530

SUPREME COURT OF THE UNITED STATES

No. 71-703

UNITED STATES,

Appellant,

v.

FIRST NATIONAL BANCORPORATION, INC., *et al.*

APPEAL from the United States District Court for the District of Colorado.

The statement of jurisdiction in this case having been submitted and considered by the Court, probable jurisdiction is noted.

February 22, 1972

Mr. Justice Powell took no part in the consideration or decision of this case.

☆ U.S. Government Printing Office: 1972—463-672/679

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In the Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-

UNITED STATES OF AMERICA, APPELLANT

v.

FIRST NATIONAL BANCORPORATION, INC. AND THE FIRST NATIONAL BANK OF GREELEY

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLORADO

JURISDICTIONAL STATEMENT

OPINION BELOW

The memorandum opinion and order of the district court (App. A, *infra*, pp. 26-61; 1971 Trade Cases ¶ 73,651) is reported at 329 F. Supp 1003.

JURISDICTION

The memorandum opinion and order of the district court was filed on July 12, 1971. On August 27, 1971, the district court entered an order denying plaintiff's timely motion, under F. R. Civ. P. 52(b) and 59, to

reopen the record, to obtain additional findings of fact and conclusions of law, and to obtain the relief requested in the complaint (App. B, *infra*, p. 62). A notice of appeal to this Court was filed on September 24, 1971 (App. C, *infra*, p. 63). The jurisdiction of the Court is conferred by Section 2 of the Expediting Act (15 U.S.C. 29). *United States* v. *Phillipsburg National Bank*, 399 U.S. 350; *United States* v. *Third National Bank in Nashville*, 390 U.S. 171.

QUESTIONS PRESENTED

1. Whether acquisition of a leading bank in a concentrated local market in Colorado by one of the largest holding companies in the state violates Section 7 of the Clayton Act by eliminating the potential competition of the acquiring firm and by contributing to the statewide trend toward domination of commercial banking by a few large holding companies.

2. Whether acquisition of the second largest bank in Greeley, Colorado, by the second largest bank holding company based in Denver, Colorado, may substantially lessen competition among Denver banks offering correspondent banking services to Colorado "country banks" by contributing to the trend toward foreclosure of such services in the state.

STATUTES INVOLVED

Section 7 of the Clayton Act, 38 Stat. 731, as amended, 64 Stat. 1125, 15 U.S.C. 18, provides in pertinent part:

> No corporation engaged in commerce shall ac-

quire, directly or indirectly, the whole or any part of the stock or other share capital and no corporation subject to the jurisdiction of the Federal Trade Commission shall acquire the whole or any part of the assets of another corporation engaged also in commerce, where in any line of commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition, or to tend to create a monopoly.

Section 3(c) of the Bank Holding Company Act of 1956, 70 Stat. 134, as amended, 80 Stat. 237, 12 U.S.C. 1842(c), provides in pertinent part:

The [Federal Reserve] Board shall not approve—

* * *

(2) any other proposed acquisition or merger or consolidation under this section whose effect in any section of the country may be substantially to lessen competition, or to tend to create a monopoly, or which in any other manner would be in restraint or* trade, unless it finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

In every case, the Board shall take into consideration the financial and managerial resources and future prospects of the company or companies and the banks concerned, and the convenience and needs of the community to be served.

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* So in original.

STATEMENT

This is a direct appeal from the judgment of the United States District Court for the District of Colorado, dismissing a complaint by the United States seeking to enjoin the acquisition by the second largest bank holding company in the State of Colorado, First National Bancorporation ("Bancorporation"), of The First National Bank of Greeley ("FNB Greeley"), the second largest commercial bank in Greeley, Colorado, as being in violation of Section 7 of the Clayton Act.

A. *The Structure of Banking in Colorado*

The banking, commercial and financial center of Colorado is located in the state capital at Denver; there are, however, significant banking markets in other population centers of the state, including Greeley, Colorado Springs, Boulder, Ft. Collins and Pueblo.

By statute,[1] Colorado does not permit banking corporations to operate branches. Consequently, the leading Colorado banks have recently begun to form holding companies in an effort to bring local banks across the state under uniform control. In 1960, one out-of-state holding company, Western Bancorporation,[2] operated 3 subsidiary banks in Colorado which accounted for 4.4 percent of total Colorado deposits. By 1970, there were seven holding companies in Colorado; together, they operated 41 subsidiary banks

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[1] Colo. Rev. Stat. 1963 § 14-3-1 (1969).

[2] As an out-of-state holding company, Western Bancorporation is now barred from further expansion in Colorado. 12 U.S.C. 1842(d).

(App. A, *infra*, p. 35), including 13[3] of the 27 banks outside of Denver having total deposits in excess of $20 million (PX 125).[4] While this gave these seven companies ownership of less than one-fifth of all Colorado banks, their share of total deposits for the state had increased by 1970 to 51 percent.[5] As a result, although the absolute number of banks and banking organizations in Colorado increased during this ten-year period (DX 28), the decided trend has been toward control by a few large holding companies of the leading banks in local market areas.[6]

B. The Acquiring Holding Company

Bancorporation, a registered bank holding company, was organized by the state's largest bank, First National Bank of Denver ("FNB Denver"), to combine FNB Denver with its three smaller affiliates in the Denver area (PX 3, Preface). In June 1970, Bancorpo-

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[3] This includes the recent acquisition of National State Bank of Boulder by Bancorporation.

[4] "PX" references are to plaintiff's exhibits introduced in the district court; "DX" references are to defendants' exhibits introduced in the district court; "Tr." references are to the transcript of proceedings below.

[5] Computed from PX 115 and DX 28.

[6] The largest holding company in the State, United Banks of Colorado, Inc., abandoned plans to acquire the third largest bank in Colorado Springs because the purchase agreement expired during the period that the government's suit to enjoin its consummation was pending (Tr., Aug. 9, 1971, pp. 30-31). Bancorporation has unsuccessfully attempted to acquire two other local market leaders, and litigation is pending as to a third. See n. 7, *infra*. The banks it sought to acquire in Pueblo and Colorado Springs are now the largest banks in a proposal to form a new five-bank holding company (Tr., Aug. 9, 1971, pp. 23-28).

ration's lead bank, FNB Denver, had total deposits of $468.0 million (12.3 percent of total deposits held by Colorado commercial banks); it had total assets of $586.5 million, and loans and discounts of $340.8 million (App. A, *infra*, pp. 29-30). Moreover, FNB Denver is one of only six Denver banks offering a full range of correspondent banking services to smaller Colorado banks. As of August 1970, its share of Colorado interbank deposits held by these six banks was in excess of 37 percent, as compared to approximately 23 percent held by each of its two nearest rivals (PX 204, 205; Tr. 670).

At the time of its organization, Bancorporation stated in its first annual report (PX 3, Preface):

> The policy of our company is to expand as rapidly and as wisely as possible through the acquisition of other banks in Colorado (preferably banks in those growth areas where Bancorporation may make the most significant contribution to Colorado's economy and concurrently generate the highest profits for its shareholders) and through other legally permissible investments and activities.

The proposed Bancorporation acquisition of FNB Greeley is the first of six applications the holding company filed with regulatory authorities from 1969 to 1971 to acquire important banks in various Colorado local banking markets; it is continuing to explore other possibilities.[7] The six applications involved banks with total deposits of $217.2 million (DX 1).

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[7] The Federal Reserve Board denied Bancorporation's applications to acquire the largest bank in Pueblo, Colorado (DX 49), and

C. *The Local Geographic Market*

The banking market in which the acquisition involved here is to take place is the so-called "Greeley rea," consisting of the City of Greeley, Colorado, and djacent communities (App. A, *infra,* pp. 32, 43-47).[8] reeley is located 50 miles north of Denver in Weld ounty; it is the county seat (App. A, *infra,* p. 29). he Greeley Area is presently undergoing rapid and pansive development; in the past decade it has grown bstantially, while the entire economy of Weld County as experienced a healthy diversification (Tr. 257-8).[9]

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e only bank in the rapidly expanding Montbello section of Den-r (DX 52). The Board approved acquisition of the second largest nks in Colorado Springs (DX 54) and Boulder, respectively (*In e Matter of the First National Bancorporation, Inc.,* FRB Order, ne 17, 1971) and the largest bank in Sterling (DX 51). The lorado Springs acquisition was blocked by the statutory stay sulting from the filing of a civil antitrust action by the United ates. The government did not oppose the Boulder acquisition, hich involved a bank with serious financial difficulties. The gov-nment has challenged the Sterling acquisition (*United States* v. *rst National Bancorporation, Inc. and the Security State Bank of erling,* D. Col., C-2754, filed Dec. 2, 1970). Bancorporation has her proposed acquisitions under active consideration (PX 241; e also PX 4, p. 21; PX 6, pp. 10-14; Tr. 745).

[8] This includes neighboring Evans, LaSalle, Peckham, Kersey, ll, Eaton, Lucerne, Farmers and Bracewell (App. A, *infra,* p. 47). trial the government argued that both the City of Greeley and e Greeley Area are appropriate markets in which to test the mar-t extension aspects of this acquisition.

[9] Between 1950 and 1968, farm earnings dropped from 49.2 per-nt to 28.3 percent of total personal income in Weld County. In the ne period, earnings from manufacturing increased from 4.1 per-nt to 11.1 percent. (App. A, *infra,* p. 34, n. 4; PX 104). This curred during a period in which Weld County remained among e nation's top ten agricultural counties (App. A, *infra,* p. 34, 4).

The population of the Greeley Area increased from 45,228 to 58,500 between 1960 and 1970, an increase of 29.3 percent (PX 98). Most of this increase occurred within the City of Greeley, where the expansion was 47.8 percent (PX 88). Economic growth during the period was even more significant. For example, the consumption of electric power and of natural gas increased 115.8 percent (PX 101), and 127.3 percent (PX 100), respectively; and the number of main telephones went up 48.2 percent (PX 99). Retail sales for Greeley—which is Weld County's trade and government center—were up 97.1 percent (PX 91), while gross sales soared 281.8 percent (PX 90). Moreover, personal income in Weld County rose from $119.5 million in 1959 to $212 million in 1968 (PX 103).[10]

D. *The Acquired Bank and the Structure of Banking in Greeley*

Within the Greeley Area, six separate banking organizations operate eight banking offices of varying size. The acquired bank, FNB Greeley, is the community's largest independent bank, and its second largest banking organization (App. A, *infra,* pp. 32, 48). It has total deposits of $39.2 million, constituting 33.9 percent of the total deposits for the city, and 31.8 percent of the total deposits for the Greeley Area (App. A, *infra,* p. 32). Its total assets were $47.7 million, and its outstanding loans were $28.9 million, or 32.6 percent of the Greeley Area total (PX 73, 78).

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[10] Since three-fourths of Weld County's population growth is attributable to the City of Greeley (PX 88), presumably a similarly disproportionate share of the County's growth in personal income was earned by Greeley residents.

The largest banking organization in the Greeley Area is a holding company, Affiliated Bankshares of Colorado, Inc. ("ABC"); it owns three banking institutions there, the combined deposits of which total $49.6 million, or 40.2 percent of the total deposits for the area (App. A, *infra*, p. 33; PX 74). ABC's principal bank is almost the same size as the acquired bank (PX 73-86; Tr. 272-273, PX 114-118).

The third largest banking organization operating in the Greeley Area, the United Bank of Greeley ("United Bank"), is a subsidiary of Colorado's largest holding company, United Banks of Colorado, Inc. (PX 114-118). United Bank has $24.7 million in deposits, which are 21.4 percent of the total deposits for the city and 20 percent of the total deposits for the area (App. A, *infra*, p. 33).

Together, the acquired bank, ABC and United Bank account for 98.2 percent of total deposits in the City of Greeley, and 92 percent of deposits in the Greeley Area App. A, *infra*, pp. 32-33).[11]

While none of Bancorporation's subsidiaries competes directly with Greeley Area banks for local business, the acquiring holding company has maintained a presence there through a loan-production office operated by its lead bank, FNB Denver (PX 4, pp. 24-25; PX 40, Exh. F, pp. 31-32); it also has made a number of large loans in the area (PX 48). Bancorporation is the largest Colorado holding company not already in

[11] The only other bank in the City of Greeley, State Bank of Greeley, is a commercial bank (Tr. 729) with less than 2 percent of local deposits (App. A, *infra*, p. 33). There are two additional banks in the Greeley Area, which combined have slightly more than 6 percent of the area's total deposits (*Ibid.*).

the Greeley Area (Tr. 269-270). Of the three remaining holding companies in the state, only two appear capable of entry; the third has a total combined deposit figure which amounts to less than the deposits held by the acquired bank (*Ibid.;* compare App. A, *infra,* pp. 35-36 n. 5 with PX 74).[12]

E. *The Proceedings*

On July 9, 1969, Bancorporation applied to the Federal Reserve Board, pursuant to Section 3(a)(3) of the Bank Holding Company Act of 1956 (70 Stat. 134, as amended, 84 Stat. 1763, 12 U.S.C. 1842(a)(3)), for approval of the proposed acquisition of FNB Greeley. The Comptroller of the Currency recommended approval, but the Department of Justice advised the Board that it believed the combination " 'would have a significantly adverse effect on competition' " (DX 48, statement, p. 4). The Board approved the application by a four-to-three vote on June 9, 1970.[13]

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[12] Colorado CNB Bankshares, with combined deposits of $281.3 million; First Colorado Bankshares, with combined deposits of $120.4 million; Central Colorado Bancorporation, with combined deposits of $36 million (App. A, *infra,* pp. 35-36 n. 5).

[13] The three who dissented deemed the proposed acquisition to be anticompetitive (DX 48). In their view, the effect of the majority's approval is to permit Bancorporation, upon a minimal showing, to enter by acquisition into a market that is attractive for *de novo* entry, under circumstances where its existing presence could be expected to expand into a full service operation in competition with existing banks. They argued that the adverse impact of such a determination is accentuated by the ongoing holding company movement, which threatens to concentrate in the hands of a few the control of a large percentage of the banking institutions in Colorado's six most significant banking markets (Denver, Colorado Springs, Boulder, Fort Collins, Greeley, and Pueblo). The time to stop this trend, they concluded, is now.

The United States filed this civil antitrust action on July 8, 1970, thereby automatically staying consummation of the acquisition under Section 11(b) of the Bank Holding Company Act of 1956 (70 Stat. 138, as amended, 80 Stat. 240, 12 U.S.C. 1849(b)).[14] It claimed that the acquisition would substantially lessen competition by (1) eliminating Bancorporation as a potential entrant into the Greeley Area, (2) removing it as an external influence on the relevant market, and (3) contributing to the trend toward dominance of the state's banking institutions by a few large holding companies. In an amended complaint, it was further alleged that actual competition would be eliminated by the acquisition since FNB Greeley would thereby be foreclosed as a customer for the correspondent banking services in Colorado, offered by six Denver banks; and that this would thus contribute to the trend which had already foreclosed a substantial portion of the market for correspondent banking services due to holding company ownership of both supplier and customer banks.

Following a trial on the merits, the district court dismissed the complaint, holding that the government had failed to show that the effect of the acquisition "would be substantially to lessen competition" (App. A, *infra,* p. 47). It discounted as "future horribles" (*id.* at p. 52) the government's evidence of a trend in Colorado toward the acquisition by statewide holding companies of leading banks in separate local markets. Instead, noting that this was Bancorporation's first attempt to expand beyond the Denver metropolitan

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[14] On October 4, 1971, Mr. Justice White continued the stay pending disposition of this appeal.

area,[15] the court focused solely on the competitive impact that this particular acquisition would have on banking in the Greeley Area.

First, the court found that Bancorporation was not a potential *de novo* entrant into the relevant market. Relying solely upon figures showing comparisons of population per banking office (App. A, *infra*, p. 49), it determined that neither the Greeley Area nor Weld County was "underbanked."[16] Bancorporation officials, it pointed out, had denied any intention to enter the Greeley Area other than by acquisition of FNB Greeley. Moreover, "objective" evidence showing that Greeley's growth was only "moderate," and that the appropriate banking agencies would not now permit *de novo* entry, seemed, in the court's view, to give substance to these denials. Consequently, while recognizing Bancorporation's financial capability for *de novo* entry, it concluded that "the practical difficulties, together with the expense, argue against Bancorporation's following this route" (App. A, *infra*, p. 50).

The possibility that Bancorporation would make a "foothold" acquisition of Greeley's smallest bank was

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[15] It stated that "* * * thi. s the first effort on the part of the Government to halt the trend of acquisitions. It did not choose to intervene until after the United Banks of Colorado and Affiliated Bankshares had both entered the Greeley Area" (App. A, *infra*, p. 37).

[16] While Greeley's ratio of 6,484 persons per bank office is less than the 9,854 ratio for the state, it is larger than the national figure of 5,751 (App. A, *infra*, p. 49). Moreover, the addition of a seventh bank based on 1970 population figures would draw the ratio down to 5,557, or slightly less than the national average. Among the several states these ratios range from a statewide average low of 2,591 for South Dakota to a high of 13,470 for Florida (DX 22). Colorado's ratio is the second highest in the nation (*Ibid.*).

dismissed as unlikely under "the objective evidence presented" (App. A, *infra*, p. 50); however, the court made no mention of the other two "foothold" possibilities in the larger Greeley Area. It found little evidence demonstrating that Bancorporation was an existing influence in the market by its presence in the "wings" (App. A, *infra*, pp. 50-51).

Finally, portraying FNB Greeley as an unaggressive competitor, the court concluded that Bancorporation's control of FNB Greeley would not be likely to increase the likelihood of parallel behavior or make the acquired bank a less aggressive competitor (App. A, *infra*, p. 51).

The district court also rejected the government's argument that this acquisition would effect an anticompetitive foreclosure of FNB Greeley as a customer for Denver-based correspondent banking services. Ignoring the cumulative effect of this acquisition in light of existing customer foreclosure due to holding company ownership of both supplier and customer banks, it found simply that the 1.2 percent [17] foreclosure claimed by the government was insubstantial.[18] The court dis-

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[17] The district court accepted this figure only *arguendo*. First, it found questionable the government's reliance on interbank deposits as an acceptable measure of market shares in the correspondent banking market; it pointed out that wide variations in the amount of uncollected funds in deposit accounts distort the sums actually available for investment by the correspondent banks. Secondly, the court found that the government's market was improperly restricted to the interbank deposits of Colorado banks held by six Denver correspondent banks (App. A, *infra*, pp. 58-59).

[18] In light of this finding, the court found it unnecessary to decide whether Denver-based correspondent banking is an appropriate "line of commerce," and whether Colorado is an appropriate "geographic market or submarket" (App. A, *infra*, pp. 53-58).

tinguished cases holding similarly small foreclosure percentages to be anticompetitive on the ground that they involved national markets in other industries (App. A, *infra*, p. 60).

THE QUESTIONS ARE SUBSTANTIAL

The structure of banking business in the United States is presently experiencing significant changes. In many states, a few banking organizations have recently reached, or in the near future will reach, a position of dominance in the statewide banking business through acquisitions of leading local banks in significant banking markets throughout the state. This case is the first antitrust challenge to this trend to reach this Court.

The situation in Colorado is typical of this emerging movement. There, the trend toward concentration has rapidly accelerated, with Denver-based holding companies endeavoring to acquire control of established institutions which have large market shares in the state's various local banking markets. The result is a form of merger known as a market extension—*i.e.*, the entry of a firm into a new geographic market by acquisition of a firm already doing business there. Although such mergers do not change existing market shares, they may well affect significantly market structure and behavior by eliminating the potential competition of the acquiring organization. This case involves the legal criteria by which the substantiality of this effect is to be determined in market-extension acquisitions by banking organizations; it raises squarely the question of the extent to which Section 7 of the Clayton Act forbids this developing domination by a few organizations of a substantial percentage of the banking business in a particular state.

In resolving the question relating to potential competition in this case, the district court required the government to prove that competition "would be" lessened (App. A, *infra*, p. 47), rather than looking to whether the effect of the questioned acquisition "may be substantially to lessen competition or tend to create a monopoly," as required by Section 7. Moreover, it applied subjective rather than objective criteria in determining the substantiality of the acquiring bank's role as a potential competitor; it failed to give due weight to existing concentration in the Greeley Area; and it ignored the relationship between this particular acquisition and the undisputed trend toward concentration throughout the state. Finally, we submit, the court applied erroneous standards in ruling that the actual competition in the correspondent banking markets in Colorado which would be eliminated by this merger was not significant.

1. Under Section 7 of the Clayton Act, "potential competition" is significant to the preservation of actual competition in concentrated markets. See *United States* v. *Penn-Olin Chemical Co.*, 378 U.S. 158; *Federal Trade Commission* v. *Procter & Gamble Co.*, 386 U.S. 568; *United States* v. *Continental Can Co.*, 378 U.S. 441, 464-465.[19] The "potential competition" factor is applicable where there are a limited number of

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[19] See also *United States* v. *Standard Oil Co.*, 253 F. Supp. 196 (D. N.J.); *United States* v. *Jos. Schlitz Brewing Co.*, 253 F. Supp. 129 (N.D. Cal.) affirmed, 385 U.S. 37; *United States* v. *Wilson Sporting Goods Co.*, 288 F. Supp. 543 (N.D. Ill.); *Ekco Products Co.* v. *Federal Trade Commission*, 347 F. 2d 745 (C.A. 7); *General Foods Corp.* v. *Federal Trade Commission*, 386 F. 2d 936 (C.A. 3), certiorari denied, 391 U.S. 919.

firms on the edge of such a market with capability and incentive to enter it. Such firms are competitively important because they are a source of future deconcentration by independent entry, and because their position is an external factor influencing the conduct of those already in the relevant market. *Ibid.*

a. In the banking industry potential competition is particularly important. A recognized authority in state and federal bank regulation has recently written that "the potential competition standard may be the only criterion available to the bank regulatory agencies or the courts by which a trend toward a market dominated by only a handful of banks or bank holding companies may be checked."[20] The swiftness with which such a trend may develop in particular states across the country has been documented by the Federal Reserve Board.[21] To be sure, state and federal laws generally forbid entry by out-of-state banking organizations. See, *e.g.*, 12 U.S.C. 1842(d). Behind this legal barrier, however, there has been an accelerated trend in states which permit acquisitions, either under branching laws or by

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[20] Frank Wille, then New York Superintendent of Banking, now Chairman, Federal Deposit Insurance Corporation, in Foreword to Kohn and Carlo, *Potential Competition: Unfounded Faith or Pragmatic Foresight?* (N.Y. State Banking Dept. 1970).

[21] Board of Governors of the Federal Reserve Board, "Recent Changes in the Structure of Commercial Banking," 56 Fed. Res. Bull. 195 (1970). Statewide concentration ratios measured by total deposits held by the largest five banking organizations are very high. In some states where the concentration has been very intense, there have recently been signs of some deconcentration as new banking organizations have been created. The situation in the banking industry is therefore at a crucial stage in which the trend could go either way.

holding companies, toward the acquisition by the statewide leaders of banks with the largest market shares in local banking markets.[22] In a number of these states, this trend has progressed to the point where two or three banking organizations together control more than half of the state's total deposits (PX 30).

Because local banking markets can support only a limited number of banks, such markets are inherently concentrated. When large institutions within a state enter most of that state's significant markets by purchasing large market shares, there develops, as the government's expert testified in this case (Tr. 435-436), a situation in which the same organizations begin to confront each other as the dominant factors in concentrated markets all over the state. This encourages a tendency to develop parallel practices in such commonly linked oligopolistic markets without regard to local competitive conditions (*ibid.*). Consequently, there is a real danger that such dominant banks will tacitly renounce vigorous competition (Tr. 451-456). "As that condition develops the greater is the likelihood that parallel policies of mutual advantage, not competition, will emerge." *United States* v. *Alcoa*, 377 U.S. 271, 280.

As we have already indicated, such a situation now threatens in Colorado; seven Colorado holding companies already control more than half of the state's total deposits (App. A, *infra*, p. 35), including 13 of the 27 banks outside of Denver having total deposits in excess of $20 million (PX 125).

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[22] See Brimmer, *Market Structure, Public Convenience and the Regulation of Bank Mergers*, 86 Banking L.J. 773, 776-778 (1969).

The district court dismissed these considerations as "future horribles" (App. A, *infra*, p. 52). But, it is just such "future horribles" that are the primary concern of Section 7 of the Clayton Act. That provision prohibits acquisitions whose effect may be substantially to lessen competition; it is carefully designed to cut off anticompetitive movements in their incipiency. See, *e.g., United States* v. *Philadelphia National Bank*, 374 U.S. 321, 362; *United States* v. *E. I. du Pont de Nemours & Co.*, 353 U.S. 586, 589; *Brown Shoe Co.* v. *United States*, 370 U.S. 294, 317-318. A state may not be a banking market in the strict economic sense, but it clearly is an area of the country entitled to protection under Section 7 (see *United States* v. *Pabst Brewing Co.*, 384 U.S. 546); it has competitive significance in banking because entry from outside is barred by law (cf. *United States* v. *Philadelphia National Bank, supra*).

Where, as here, the particular acquisition challenged is part of a statewide trend toward concentration, that trend is necessarily relevant to a proper evaluation of the effect that the acquisition "may tend" to have upon competition (370 U.S. at 317). If all the local banking markets in a state should become dominated by the same few firms, bank customers would no longer have a meaningful alternative to the banking policies of the acquiring companies; the safeguard against possible exploitive conduct that inheres in the availability of alternative banking markets in the state disappears once those markets become dominated by the same firms.[23]

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[23] This is substantiated by the testimony of a banker in Greeley who concluded that, if prices for bank services in Greeley should

b. Even putting to one side for the moment the court's failure to attach any importance to these statewide considerations, we submit that the district court applied the wrong standard in assessing the acquiring bank's role as a potential entrant into the Greeley Area. Principal reliance was placed on testimony by FNB Denver officials that Bancorporation would not enter the market except by acquisition of FNB Greeley, with its large market share. But the determination with respect to potential competition in a Section 7 case should not turn on such subjective, self-serving statements; the competitive status of a firm on the edge of the relevant market must be ascertained on the basis of objective evidence, showing the potential entrant's financial capability to enter independently, its economic incentive to do so, and the reasonable prospects for making such an entry successfully. Thus, in *United States* v. *Penn-Olin Co.*, 378 U.S. 158, 175, after a full review of objective evidence showing the capability and incentive of joint venturers to enter a market independently, this Court held: "Unless we are going to require subjective evidence, this array of probability certainly reaches the prima facie stage. As we have indicated, to require more would be to read the statutory requirement of reasonable probability into a requirement of certainty. This we will not do." See also *Federal Trade Commission* v. *Procter & Gamble Co.*, 386 U.S. 568, 580-581.

The reason is manifest. The proper question before the court in potential competition cases should not be whether management considered independent entry to

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now get "out of line," business could be lost to FNB Denver, the acquiring bank (Tr. 775-776).

be preferable to entry by acquisition, but whether independent entry is preferable to no entry at all for a firm with the defendant's capabilities and incentives. Entry by purchasing a large share of the market is always preferable to the hard competition required for successful entry *de novo,* or by a small "foothold" acquisition.[24] Moreover, if subjective evidence were determinative, effective enforcement of Section 7 would be seriously jeopardized, since the test of potential competition would then depend upon the trial court's evaluation of the sincerity of an acquiring firm's statements that independent entry is not a feasible alternative. Such a standard would make the antitrust consequences of an acquisition completely unpredictable to both business and government. Plainly, that is not the case under the proper objective standard, based essentially on whether the market is attractive and the firm has the necessary capability to enter it; the type of showing that would warrant classification of a firm as a potential independent entrant on the basis of that test is readily ascertainable.

In the instant case, Bancorporation had both the capability and the interest to be viewed objectively as a potential entrant into the Greeley market. Unquestionably, it had the resources. Its interest in expanding into the major local markets outside of Denver was reflected clearly in the series of acquisition applications that it filed.[25] Moreover, there was ample incentive to

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[24] On "toehold" entry, see, *The Bendix Corp.*, (FTC), 3 Trade Reg. Rep. ¶ 19,288, vacated and remanded on other grounds, *The Bendix Corporation* v. *The Federal Trade Commission,* (C.A. 6, No. 20,687, October 18, 1971).

[25] See n. 7, *supra,* and accompanying text.

enter Greeley in particular: the area had experienced substantial growth in the past ten years (pp. 7-8, *supra*), and the banks doing business there were all profitable (thus casting doubt on the district court's conclusion that the market was "overbanked"). And, as noted earlier, there was one small commercial bank in the City of Greeley, and two other small commercial banks in the Greeley Area, which were available to Bancorporation to establish a "foothold" in the relevant market.[26]

c. To be sure, the Regional Administrator of National Banks testified that he would not presently recommend a new charter for the area (App. A, *infra*, p. 50).[27] But that, in itself, is not, in our view, sufficient to alter the acquiring firm's status as a *potential* entrant. Where, as we submit is the case here, new entry is not barred by any clear indication that a community is over-banked—*i.e.*, if the market is still growing and the banks doing business there are profitable—a regulatory decision with respect to new entry does not turn on the need to protect existing banks from harmful

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[26] Bancorporation had in fact broken off negotiations for the purchase of a bank in a town 15 miles outside of Greeley—Windsor, Colorado—after FNB Greeley became available (PX 41; PX 241). It had been interested in the Windsor bank because Eastman Kodak was locating a major industrial facility in Windsor, which would affect the economy of Greeley, Fort Collins and Loveland (see PX 4, pp. 21, 30-31; 34; Tr. 120-132).

[27] The district court also interpreted the testimony of the State Banking Commissioner to be that he would not now approve a new charter. But, the Commissioner actually declined to take any position at trial on that question in the absence of a pending application (Tr. 1200-1204).

competition. Rather, it is premised on the convenience and needs of the community to be served at the time that the application for entry is under consideration. As conceded by defendant's witnesses, this depends upon a wide range of variables unique to each market (Tr. 834, 1199-1204; DX 42-43). Whatever disposition the regulatory agencies might make on an evaluation of those variables in the present context, defendants' own expert witness acknowledged that, if Greeley banks abused their market power, the agencies might then open the gates to new entry (Tr. 976-977).

Indeed, precisely because Bancorporation remains a significantly potential entrant, without regard to the present liklihood of its obtaining a new charter from the regulatory agencies, the bank customers in Greeley are more likely to receive effective performance by the existing banks in the area. Greeley is a concentrated banking market; this Court has held that anticompetitive consequences may be inferred from concentration in banking markets in the same manner as in other industries. *United States* v. *Philadelphia National Bank, supra,* 374 U.S. at 363; *United States* v. *Phillipsburg National Bank,* 399 U.S. 350, 365-366. There is, therefore, a clear need for the influence of a few significant potential entrants. As this Court observed in *United States* v. *Penn-Olin Chemical Co., supra,* 378 U.S. at 174, "[t]he existence of an aggressive, well equipped and well financed corporation engaged in the same or related lines of commerce waiting anxiously to enter an oligopolistic market would be a substantial incentive to competition which cannot be underestimated." Here, there are only two such corporations

in addition to Bancorporation not in the Greeley Area, and the loss of the latter, the most significant of the three, as a potential entrant would have a serious adverse effect on competitive interests in the Greeley area.[28]

2. This acquisition also would have another anticompetitive effect: the foreclosure to other Denver banks of FNB Greeley as a customer for correspondent banking services in Colorado. Correspondent banking, like commercial banking, is a congeries of services clustered around demand deposits; it involves, however, banking services that are provided by large "city" banks to small "country" banks, rather than to the public at large (Tr. 531, 571, 580-589). In a unit-banking state, such as Colorado, these services are supplied to and through local banks by correspondent relationships, and are generally paid for by the maintenance of correspondent balances, which are in fact interbank demand deposits (Tr. 646-648).

Banks offering a full range of correspondent banking services—such as check clearing, international banking, investment advice, personnel acquisition as-

[28] In disputing that Bancorporation exerted a competitive influence by its presence in the "wings", defendants relied essentially on testimony of local bankers in the Greeley Area that their past market decisions have not been affected by the fact that the acquiring company was located on the edge of the market. Such testimony, however, is entitled to little weight. Plainly, those already in the market prefer that Bancorporation enter by acquiring an established market share, rather than by adding to the number of actual competitors by coming in *de novo*. Moreover, it is doubtful that they would want to go on record as stating that their local competitors are so unaggressive that their real worry comes from the competitive threat posed by outsiders. Cf. *United States* v. *Philadelphia National Bank*, *supra*, 374 U.S. at 367 n.43.

sistance and training, overline loans,[29] and the like (Tr. 667-668)—tend to be located in the financial and political centers of a state (Tr. 609-610, 656-658).[30] Moreover, customers for full-range correspondent banking services tend to be limited to "country" banks located in the same state, in part because it is important to have a primary correspondent familiar with local banking regulations (Tr. 531, 610-612, 656-658; see also Tr. 54).

At the end of August 1970, based on interbank deposits, approximately 12 percent of the market for correspondent banking in Colorado was foreclosed by holding company ownership of both supplier and customer banks (PX 215; Tr. 688). Bancorporation's acquisition of the National State Bank of Boulder [31] adds 2.5 percent to this figure (PX 164, 217; Tr. 689-689A), and its acquisition of Security State Bank in Sterling will add another 0.8 percent (PX 217).

The acquisition of FNB Greeley would increase holding company ownership by an additional 1.2 percent. In numerous cases, it has been held that foreclosure of even a relatively small percentage of a market may produce a substantial lessening of competition. See, *e.g.*, *Brown Shoe Co.* v. *United States*, 370 U.S. 294 (2 percent, 1.5 percent and 1 percent).[32] The district court

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[29] Overline loans are loans made together with another bank that is unable to satisfy its customers' credit needs because of its legal lending limits.

[30] Some of these services may be offered by specialty organizations, such as savings and loan associations, which provide specific competition for commercial banks but do not compete over the entire offering of services (see Tr. 553, 609-610, 633).

[31] See n. 3, *supra*.

[32] See also *United States* v. *Kimberly-Clark Corp.*, 264 F. Supp. 439 (N.D. Cal.) (2 percent); *United States* v. *Kennecott Copper*

held that these cases were inapplicable in the present context on the ground that they involve national, not local, markets. But this Court has made it clear that the antitrust laws apply with the same vigor in local markets as in the larger areas. *United States* v. *Philadelphia National Bank, supra; United States* v. *Phillipsburg National Bank, supra.*

Moreover, we think it is improper to consider the acquisition involved here in isolation, as the district court did. Rather, in determining whether the foreclosure of FNB Greeley may tend substantially to lessen competition within the meaning of Section 7 of the Clayton Act, the transaction must be viewed in the context of the clear trend now developing in Colorado toward foreclosure of the correspondent banking market through large bank holding company acquisitions. Cf. *United States* v. *Von's Grocery Co.*, 384 U.S. 270, 277.

CONCLUSION

Probable jurisdiction should be noted.

Respectfully submitted.

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NOVEMBER 1971.

Corp., 231 F. Supp. 95 (S.D.N.Y.) (7.6 to 10 percent); *United States v. Bethlehem Steel Corp.*, 168 F. Supp. 576 (S.D.N.Y.).

APPENDIX A

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. C-2413

UNITED STATES OF AMERICA,
PLAINTIFF,

v.

FIRST NATIONAL BANCORPORATION, INC. AND THE FIRST NATIONAL BANK OF GREELEY,
DEFENDANTS.

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MEMORANDUM OPINION AND ORDER

DOYLE, Judge.

I. PRELIMINARY STATEMENT

Involved in this action is the attempted acquisition of The First National Bank of Greeley by the First National Bancorporation, Inc. The United States has instituted this suit under Section 15 of the Clayton Act, 15 U.S.C. § 25, seeking an injunction preventing the alleged violation of Section 7 of the Clayton Act. The cause was tried to the Court, and following the filing of post-trial briefs, together with proposed findings, has been submitted.

A. *Background of This Litigation*

On June 9, 1970, the Board of Governors of the Federal Reserve Board approved in a four-to-three decision the application of First National Bancorporation, Inc. for the acquisition of 80 percent or more of the vot-

ing shares of The First National Bank of Greeley. The opinion of the Board recites that the comptroller had been duly notified and had approved the application. The majority opinion considered all of the evidence and concluded that the proposed acquisition would not have the effect of substantially lessening competition or would not tend to create a monopoly. It was pointed out that this was the first expansion by First National Bancorporation, Inc. outside the Denver area, and that while other applications about which the Board had knowledge might change the banking structure in the state, that this one would not have such an effect. It was noted that one of the competitors in Greeley was also a leading competitor of First of Denver in Denver (United Bank); that there existed, however, no likelihood that a structure in Greeley would result in mirroring the situation in Denver. In a concurring opinion one of the Governors pointed out that Weld County (where Greeley is located) is not underbanked; that, rather, there are more banking institutions per population than in adjoining counties of Larimer and Boulder.

The main thrust of the minority opinion was that the proposed acquisition was one step in a trend toward concentration not only in the Greeley area but in the state as a whole, and that the Board should not approve an acquisition in furtherance of this trend. The minority finally said:

> In our view, the effect of consummation of the applicant's proposal would be to substantially lessen *future* competition in Greeley, in Weld County, and perhaps in other Colorado areas which might

otherwise have been served by a new organization which bank could have significantly participated.

The minority also considered that one result of the acquisition would be to close a mortgage loan production office maintained by The First National Bank of Denver, the lead bank of Bancorporation, and would thus remove this institution as a competitor, and would also lessen potential competition resulting from The First National Bank of Denver being on the threshold of the market.

B. *The Banking Institutions Involved*

As noted above, Bancorporation is a registered bank holding company organized under the laws of Colorado and maintains its principal place of business in Denver. On the other hand, The First National Bank of Greeley is a national banking association organized under the laws of the United States, which operates in Greeley, Weld County, Colorado, which is roughly 50 miles north of Denver. Both Bancorporation and The First National Bank of Greeley are engaged in interstate commerce. Moreover, the Court has jurisdiction of the action.

The main nucleus of Bancorporation is The First National Bank of Denver. However, there are three other subsidiaries—commercial banks—all of which are located in the metropolitan area surrounding Denver, Colorado. The First National Bank of Denver is the largest commercial bank in Colorado. Its total deposits as of June 1970 amounted to $468.0 million, 12.3% of the total commercial bank deposits within Colorado. Its

assets total $586.5 million, and its loans and discounts total $340.8 million.

The other three commercial banks, subsidiaries of Bancorporation, are The First National Bank of Northglenn, The First National Bank of Bear Valley and The First National Bank of Southglenn. Each of these banks was organized *de novo* by officers and directors of The First National Bank of Denver.

The Northglenn bank was established on November 14, 1963. It is located in the suburban community of Northglenn in Adams County, which adjoins Denver County. It has been, from the date of its opening to the date of its acquisition by Bancorporation, an affiliate of First National Bank of Denver. Its total assets as of June 1970 amounted to $9.5 million. It had total deposits of $8.5 million and total loans and discounts of $6.1 million. Its income in 1969 amounted to $780,058, an increase over prior years.

The First National Bank of Bear Valley was also organized by officers and directors of the First National Bank of Denver, having been established on June 15, 1964. This institution is located within the City and County of Denver and has been, from the date of its opening to the date of its acquisition by Bancorporation, an affiliate of The First National Bank of Denver. The total assets of the Bear Valley bank are $11.4 million. Its total deposits are $10.1 million, and its loans and discounts total $6.9 million. Its income as of 1969 had substantially increased over the prior years.

Similarly, The First National Bank of Southglenn was organized *de novo* by officers of The First National Bank of Denver, having been established on November

30, 1964, in Littleton, Arapahoe County, Colorado. It was an affiliate of The First National Bank of Denver from the date of its opening until its acquisition. As of June 1970, it had total assets of $6.4 million, total deposits of $5.8 million and total loans and discounts of $3.2 million. Its total income in 1969 was substantially higher than in prior years.

As noted above, the present acquisition represents the first attempt by Bancorporation to acquire a banking institution outside of Denver. This application was approved, as also noted, by the Board of Governors on June 9, 1970. On July 8, 1970, the Antitrust Division of the Department of Justice brought the present suit.

The First National of Greeley was established in 1884. Its only office is in the City of Greeley, County of Weld. As of June 1970, its deposits totaled $39.2 million, and its total loans and discounts amounted to $28.9 million. It is the fifteenth largest bank in Colorado from the standpoint of total deposits, and the twelfth largest in terms of total loans and discounts.

The evidence does not disclose that there is competition at the present time between The First National Bank of Denver and The First National Bank of Greeley. To be sure, The First National Bank of Denver maintains a mortgage loan production office in the City of Greeley. This institution does not perform banking functions, but rather sells and services real estate loans to long-term investors such as savings and loan institutions, mutual savings banks and insurance companies. This service is performed for a fee and the most that can be said as to its contribution to the objectives of Bancorporation and First National Bank of Denver is

that it undoubtedly serves to furnish information as to the market conditions to the First National, although there is no evidence in the record which establishes this fact. In other respects the First National Bank cooperates with The First National Bank of Greeley in connection with overline loans either itself or through its correspondent banks in other sections of the country. The First National Trust Department administers a small number of trusts for individuals who live in Weld County, but it does not solicit this kind of business there. Accordingly, it cannot be said that the proposed merger or acquisition qualifies as a horizontal one.

C. *Commercial Banking Institutions in Greeley*

There are six commercial banks in the City of Greeley and two other banks in what is referred to as the Greeley Area—which includes communities adjacent to the City of Greeley.[1] The following Table sets forth the relative percentages of total deposits held by each of these eight banks as of June 1970:

TOTAL DEPOSITS-COMMERCIAL BANKS IN THE CITY OF GREELEY AND THE GREELEY AREA *

	(Dollar amounts in thousands) June 1970		
	Amount	% of City	% of Area
FIRST NATIONAL BANK OF GREELEY	$ 39,237	33.9%	31.8%

[1] The seven banks other than FNB Greeley were listed in Bancorporation's application to the Board of Governors of the Federal Reserve System as "all other banks that Applicant believes to be competing with" FNB Greeley.

	Amount	% of City	% of Area
AFFILIATED BANKSHARES OF COLORADO, INC.			
Greeley National Bank	39,279	34.0	31.8
Cache National Bank	7,080	6.1	5.7
West Greeley National Bank	3,273	2.8	2.7
UNITED BANKS OF COLORADO, INC.			
United Bank of Greeley	24,743	21.4	20.0
State Bank of Greeley	2,070	1.8	1.7
CITY OF GREELEY	115,682	100.0%	93.7
South Platte National Bank, LaSalle	2,773		2.2
Eaton Bank	4,983		4.0
TOTAL: GREELEY AREA *	$123,438		100.0%

Note: Detail may not always add to total due to rounding.

* Includes City of Greeley, and adjacent towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

Source: Reports of Condition of individual banks, June issues, 1969 and 1970.

While there is some evidence that FNB Greeley and other Greeley Area banks effectively compete in the rest of Weld County,[2] Bancorporation's Application to the Board of Governors of the Federal Reserve System

[2] FNB Greeley has $3,130,000 of its $28,897,000 in loans in the rest of Weld County (outside the Greeley Area).

to acquire FNB Greeley characterizes an area similar to the Greeley Area as FNB Greeley's "Primary Service Area" and characterizes an area extending easterly and northeasterly from Greeley (comprising somewhat less than half of Weld County) as FNB Greeley's "sphere of influence."

The City of Greeley, the Greeley Area and Weld County have all experienced a moderate amount of economic and population growth over the last decade,[3] although the area certainly cannot be characterized as a "boom" area such as Boulder or Colorado Springs. Some industry has moved into the area during recent years, but Weld County continues to be primarily a farming area and agricultural loans continue to constitute a substantial part of the bank's business.[4] There is also evidence concerning odors from the packing

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[3] The 1970 population of the Greeley Area was 58,500, a 29.3% increase over its 1960 population of 45,228. Most of the population growth in the Greeley Area is attributable to the City of Greeley. Economic statistics presented by plaintiff indicate that from 1960 to 1970 the number of main telephones in the Greeley Area increased 48.2% and electric power consumption increased 115.8%. Gas customers increased 45.3%, while total gas volume consumed increased 127.3%. In addition, the rural families served by the Greeley Post Office have increased 43.3% since 1960, while the number of individual customers served has increased 27.8%. The growth of the City of Greeley and the Greeley Area has also been reflected throughout Weld County as a whole. Finally, the population of the City of Greeley is roughly 38,000, of which 10,000 consist of students attending the college located there.

[4] Whereas farm earnings accounted for 49.2% of total earnings in Weld County in 1950, by 1968 they had decreased to 28.3% of total earnings. In the same period, earnings from manufacturing increased from 4.1% to 11.1%. The industrial usage of gas increased from 15.2% of the gas consumed in 1960 to 35.9% of the gas consumed in Weld County in 1970. This diversification took place during a time in which Weld County remained one of the top ten agricultural counties in the United States.

plants and feedlots which suggests that Greeley is not likely to become a great population center in the near future. Despite this growth, there is some evidence to the effect that the Greeley Area is presently quite adequately served by its existing banking institutions.

D. *Statewide Holding Companies*

One other aspect which should be mentioned in connection with the background of this case is that the last decade has seen a trend of holding company formations and bank acquisitions in Colorado. As of December 31, 1960, Western Bancorporation of Los Angeles was the only bank holding company operating in Colorado. It had three bank subsidiaries which held 4.4% of the total commercial bank deposits in the state ($87.5 million). As of December 31, 1970, there were seven bank holding companies in Colorado with 41 commercial bank subsidiaries. These holding company banks, as of June 1970, held 51.1% of total Colorado deposits.[5]

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[5] The following table summarizes the percentages of Colorado deposits held by each of the bank holding companies and the areas in which their subsidiaries operate. The holding companies are listed in order of their formation.

TOTAL DEPOSITS HELD BY BANK HOLDING COMPANIES IN COLORADO AS OF JUNE 1970
(Dollar amounts in thousands)

BANK GROUP	Amount	% of Colorado
WESTERN BANCORPORATION (operating three banks in Denver, Englewood and Fort Collins)	$ 197,858	5.2
FIRST COLORADO BANKSHARES (formation approved, 11/16/61) (operating four banks in Denver, Englewood and Wheat Ridge)	120,378	3.1

In addition, Bancorporation has received Federal Reserve Board approval for the acquisition of FNB Greeley and the Security State Bank of Sterling (these are in litigation), and it has an application pending for approval of the acquisition of the National State Bank of Boulder. Bancorporation's applications to acquire banks in Montbello and Pueblo have been denied, and the agreement to acquire the Exchange National Bank of Colorado Springs, for which approval had been

[5] (continued)

Bank Group	Amount	% of Colorado
United Banks of Colorado, Inc. (formation approved, 11/7/63) (operating nine banks in Denver, Aurora, Boulder, Greeley, Littleton, Fort Collins, Lakewood, Pueblo and Grand Junction)	565,486	14.8
Colorado CNB Bankshares (Formation approved, 11/29/67) (operating five banks in Denver, Lakewood and Glenwood Springs)	281,327	7.3
First National Bancorporation, Inc. (formation approved, 5/27/68) (operating four banks in Denver, Southglenn, Bear Valley and Northglenn)	495,675	12.9
Affiliated Bankshares, Inc. (formation approved, 12/31/69) (operating 13 banks in Colorado Springs, Fort Carson, Manitou Springs, Loveland, Greeley, Ault, Boulder, Lafayette and Louisville)	260,176	6.8
Central Colorado Bancorporation (formation approved, 3/31/70) (operating three banks in Colorado Springs and Rocky Ford)	36,012	0.9
	$1,956,912	51.1

Compiled from plaintiff's Exhibits 113 and 115.

granted, has been mutually rescinded by the parties. Also, United Banks of Colorado, Inc. has received approval to acquire the Colorado Springs National Bank (this is also in litigation). Bancorporation's attempt to acquire FNB Greeley is its first attempt to acquire a bank outside the Denver metropolitan area. Also, this is the first effort on the part of the Government to halt the trend of acquisitions. It did not choose to intervene until after the United Banks of Colorado and Affiliated Bankshares had both entered the Greeley Area. Affiliated Bankshares has acquired Greeley's largest and most vigorous bank, Greeley National Bank, plus two additional smaller banks in the area.

II. The Issues

It is not contended by the government that there exists at the present time any substantial competition between First of Denver and First of Greeley which could be affected by the present acquisition. It is maintained, rather, that *potential* competition would be affected. The government's argument is that if the Bancorporation is to enter the Greeley or the Weld County market, it should do so *de novo* or via the acquisition of the Greeley State Bank, a very small institution, whereby the assets and economic power of First could be utilized in enhancing the competitive atmosphere within the Greeley market. It is also maintained that the presence of two other bank holding companies within the City of Greeley results in the market being presently a concentrated one which is likely to result in further concentration with the present acquisition and, finally, entrenchment is likely to result, whereby a substantial threat to competition in the future exists.

A second line of attack which was devised by the government just prior to trial is to the effect that correspondent banking is a distinct line of commerce apart from commercial banking and that there are a limited number of banking institutions in Denver with capacity to offer a full range of correspondent banking services, one of these being The First National Bank of Denver. It is said that presently there is competition among about six banks in Denver for the offering of this character of service and that the present acquisition will remove a customer and, thus, to that degree will tend substantially to lessen competition in the offering of correspondent banking services to country banks in Colorado.

III. Potential Competition

In a case alleging violation of Section 7 of the Clayton Act, the government has the burden of proving the "reasonable probability" of a substantial lessening of competition. *United States* v. *Philadelphia National Bank*, 374 U.S. 321 (1963). As the Supreme Court has noted,

> [d]etermination of the relevant market is a necessary predicate to a finding of a violation of the Clayton Act because the threatened monopoly must be one which will substantially lessen competition "within the area of effective competition." Substantiality can be determined only in terms of the market affected.[6]

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[6] Brown Shoe Co. v. United States, 370 U.S. 294, 324 (1962), *quoting from* United States v E. I. du pont de Nemours & Co., 353 U.S. 586, 593 (1957).

> The "area of effective competition" must be determined by reference to a product market (the "line of commerce") and a geographic market (the "section of the country").[7]

The government charges that if consummated the effect of the proposed merger may be to substantially lessen competition, in violation of Section 7 of the Clayton Act, through the elimination of *potential* competition. When such a violation is found, the Bank Merger Act of 1966 requires the District Court to decide whether "the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served." 12 U.S.C. § 1828(c)(5)(B).

The government has the burden of proving the "reasonable probability" of a substantial lessening of competition. *United States* v. *Philadelphia National Bank*, 374 U.S. 321 (1963). The burden of proving that the exception set forth in 12 U.S.C. § 1828(c)(5)(B) is satisfied rests with the defendant banks. *United States* v. *First City National Bank of Houston*, 386 U.S. 361, 366 (1967). This Court is required to review *de novo* the issues presented, using the identical standards applied by the regulatory agencies. 12 U.S.C. § 1828.

A. *Economic Effects*

There being no direct competition here, the proposed merger between the banks at bar is what is described as a "geographic market extension" merger. As such, the

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[7] Brown Shoe Co. v. United States, 370 U.S. 294, 324 (1962).

concentration in the relevant market remains the same after the merger. It limits us to an evaluation of whether it has the effect of removing a *potential market entrant* and to a consideration whether Bancorporation, which is not yet in the market, may still be a present competitive force, the presence of which deters oligopolistic practices, whereby its merger with a member of that market may eliminate competition in much the same way that a simple horizontal merger can. However:

> The sight of a particular firm "waiting at the market's edge" may emphasize the entry threat, but it is *ease of entry*, not necessarily an identifiable potential entrant, that limits present market power by reminding existing firms that high profits will attract outsiders. The competitive situation will not be affected by a merger with a particular potential competitor unless the merger alters entry conditions or is thought to alter them. Existing firms would have no reason to change their behavior unless they supposed that the merger eliminated the one firm uniquely capable of entering or substantially reduced the probability of new competition by eliminating one from a small universe of potential entrants. Areeda, *Antitrust Analysis* at 517 (1967) (emphasis added).

Thus, the issue is a narrow one requiring the weighing and evaluation of future projections—a most difficult process having few tangible standards.

A "geographic market extension" merger can, of course, have the *future* effect of eliminating one who

would have entered the market independently but for the merger, thereby adding to the number of competitors in the future, but there must be at least some evidence to support a prophecy that such an entrance will occur.

How important the elimination of a potential entrant is will depend in part on how *concentrated* the market is, concentration being one indication of a firm's market power. Where concentration is quite low, the merger will have few adverse effects because the market will remain unconcentrated after the merger. Where the concentration is high, the merger removes the potential competitor as a restraining influence and the anticompetitive effects can be significant.

B. *The Product Market*

In *United States* v. *Philadelphia National Bank*, 374 U.S. 321, 356 (1963), the Supreme Court held that *commercial banking* was the relevant product market within which to measure the effects of the proposed horizontal bank merger:

> [T]he cluster of products (various kinds of credit) and services (such as checking accounts and trust administration) denoted by the term "commercial banking" * * * composes a distinct line of commerce. *Id.*

Several district court cases involving bank mergers have criticized this definition of a "line of commerce" on the basis that it does not take into account the cross-elasticity resulting from competition between banks and other institutions providing many of the same

products and services included within the definition of "commercial banking."[8] We fail, however, to see any room for such criticism either on the merits of the question or on the basis of positive law. Since *Philadelphia National Bank* the Supreme Court has again stated in no uncertain terms that commercial banking is the relevant line of commerce. In *United States* v. *Phillipsburg National Bank and Trust Company*, 399 U.S. 350, 360-61 (1970), the Supreme Court said:

> Commercial banks are the only financial institutions in which a wide variety of financial products and services—some unique to commercial banking and others not—are gathered together in one place. The clustering of financial products and services in banks facilitates convenient access to them for all banking customers. For some customers, full-service banking makes possible access to certain products or services that would otherwise be unavailable to them; the customer without significant collateral, for example, who has patronized a particular bank for a variety of financial products and services is more likely to be able to obtain a loan from that bank than from a specialty financial institution to which he turns simply to borrow money. In short, the cluster of products and services termed commercial banking has economic sig-

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[8] United States v. Idaho First National Bank, 315 F. Supp. 261, 267-68 (D. Idaho 1970); United States v. First National Bank of Maryland, 310 F. Supp. 157, 168 (D. Md. 1970); United States v. First National Bank of Jackson, 301 F. Supp. 1161, 1181 (S.D. Miss. 1969); United States v. Crocker-Anglo National Bank, 277 F. Supp. 133, 151-53 (N.D. Calif. 1967).

> nificance well beyond the various products and services involved.

In addition, "commercial banking" is even more relevant as a line of commerce where, as here, a small country bank is being acquired. *Id.* at 361-62. Moreover, the record here does not disclose what other institutions, if any, compete with Greeley banks for the products and services which they offer. Hence, there could be no justification for a contrary holding. Therefore, we conclude that the relevant line of commerce is commercial banking.

C. *Relevant Geographic Market for Measuring the Effects of an Alleged Elimination of Potential Competition*

The test for determining the relevant geographic market is set forth in *United States* v. *Philadelphia National Bank, supra,* wherein the Supreme Court said:

> The proper question to be asked in this case is not where the parties to the merger do business or even where they compete, but where, within the area of competitive overlap, the effect of the merger on competition will be direct and immediate. * * * [A]s we recently said in a related context, the "area of effective competition in the known line of commerce must be charted by careful selection of the market area in which the seller operates, *and to which the purchaser can practicably turn for supplies.*" *Id.* at 357-59 (emphasis original).

In the case at bar we determine that the "Greeley

Area" rather than Weld County (as argued by Bancorporation) is the relevant geographic market within which to measure the effects of the proposed merger upon *potential* competition. This area provides FNB Greeley with a substantial amount of its loans and deposits: 81.9% of its demand deposits, 77.7% of its savings deposits, 76% of its time deposits, 80.6% of its commercial and industrial loans, 71.9% of its personal installment loans, 74.3% of its single payment loans, 75.6% of its real estate loans and 64.5% of its loans to farmers. Although comparisons in the present context are not too persuasive, we note that compared to the four-county area determined to be the relevant geographic market in the *Philadelphia National Bank* case, 81.9% of FNB Greeley's demand deposits came from the Greeley area (versus figures of 56% and 77% in *Philadelphia National Bank*), 80.6% of its commercial and industrial loans (versus 54% and 63%), and 75.6% of its real estate loans (versus 74% and 84%). The rest of Weld County supplied respective amounts of 6.6%, 1.8% and 9.9%.

Because individuals and corporations generally prefer to do their banking in their local communities, banks normally have a very localized business:

> [C]onvenience of location is essential to effective competition. Individuals and corporations typically confer the bulk of their patronage on banks in their local community; they find it impractical to conduct their banking business at a distance. * * * The factor of inconvenience localizes banking competition as effectively as high transportation costs in other industries. *Id.* at 358.

The localization of business typical of the banking industry is especially pronounced where, as here, a country bank is involved:

> We stated in *Philadelphia Bank* * * * that "in banking the relevant geographical market is a function of each separate customer's economic scale"—that "the smaller the customer, the smaller is his banking market geographically" * * *. Small depositors have little reason to deal with a bank other than the one most geographically convenient to them. For such persons, geographic convenience can be a more powerful influence than the availability of a higher rate of interest at a more distant, though still nearby, bank. The small borrower, if he is to have his needs met, must often depend upon his community reputation and upon his relationship with the local banker. * * * Thus, the small borrower frequently cannot "practicably turn for supplies" outside his immediate community; and the small depositor—because of habit, custom, personal relationships, and, above all, convenience—is usually unwilling to do so. *United States* v. *Phillipsburg National Bank and Trust Company,* 399 U.S. 350, 363-64 (1970).

Individuals and corporations in Greeley, for instance, do not normally deposit their funds in Denver banks, and their counterparts in Denver seldom keep their deposits in Greeley banks. Convenience becomes less important only when banking transactions assume large proportions. Since Colorado prohibits branch banking, FNB Greeley has no other offices in Weld County or in any other location.

The defendants contend that Weld County is the relevant area for measuring the effects of the merger. Approximately 10.7% of FNB Greeley's business comes from the rest of Weld County. Since there are seven other banks serving this expansive area, it is not surprising that this figure is not larger given the incidence of convenience which attends banking. 10.7% would not appear quite so insignificant if it represented, for instance, 80% of the business available in the rest of Weld County. Whatever foreclosures or other anticompetitive effects might result from this merger must be measured, of course, in terms of those being affected. The defendants, however, have failed to introduce sufficient evidence suggesting that the business solicited by FNB Greeley and the other Greeley banks from the rest of Weld County represents a significant share of what is available.

Moreover, the defendants have also stated that the Greeley area is their "primary service area" or the area of effective competition. In their application to the Board of Governors of the Federal Reserve System for approval, they noted:

> *Judgment of Bank's officers as to Bank's approximate service area, the actual or estimated population of such area, and an explanation of the basis for such a service area delineation.*
>
> Greeley's Primary Service Area, that area within which approximately 80% of Greeley's I.P.C. Demand, Savings and Time deposits originate, and within which an excess of 75% of Greeley's loans originate, is more particularly described as follows: Commencing at Eaton, Colo-

rado, located 7 miles north of the city of Greeley, extending in a southeasterly direction approximately 15 miles to the community of Gill, Colorado, thence in a southwesterly direction approximately 23 miles to the community of Platteville, Colorado, thence in a north-northeasterly direction returning to the original point.* * *

In addition to Greeley's Primary Service Area, described above, there exists a "sphere of influence which extends in an easterly and northeasterly direction from the city of Greeley proper, and covers an area of Weld County large in size but sparsely populated.* * *

In view of the foregoing, it is our conclusion that the proper geographic area is that urged by the government, that is, the City of Greeley and its environs and satellite communities, including the towns of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell.

D. *Effect on Competition in Commercial Banking in the Greeley Area*

We turn now to the question whether the proposed acquisition has been shown to be in violation of Section 7 of the Clayton Act in that its effect would be substantially to lessen competition in any line of commerce in any section of the country. The government emphasizes the fact that the Bancorporation is the second largest banking institution in the state, and from this fact alone would have us hold that its entry into the Greeley market by way of this acquisition would in and of itself substantially lessen competition.

The government argues that if relief is granted against this present acquisition, Bancorporation will enter the market *de novo* or through some other acquisition, the effect of which would be to promote rather than to lessen competition.

As previously noted, the principal subsidiary of Bancorporation is First National Bank of Denver. Bancorporation's other three subsidiaries are small institutions located on the outskirts of the Denver metropolitan area. They do not add measurably to the economic power of Bancorporation. Nor can it be said that the acquisition of FNB Greeley would significantly increase Bancorporation's economic power since FNB Greeley is not a large bank, although it is the second largest institution in Greeley. It is second to Affiliated Bankshares of Colorado which has three subsidiary banks in the Greeley area and which has 40.2% of the total deposits as against the 31.8% held by FNB Greeley.

We consider it significant that the market share of the FNB Greeley has been on the decrease during the past 20 years. The Greeley National Bank, on the other hand, its principal competitor, has been steadily gaining ground. FNB Greeley is shown by the evidence to lack management depth and to have not been pursuing aggressive competitive policies. Bancorporation promises to remedy all this, whereby the acquired institution will become a vigorous competitive influence. These, of course, are mere promises which are not entitled to weight in the present evaluation except that it can be said with some assurance that the competitive

influence of FNB Greeley is unlikely to decrease as a result of the acquisition.

We also consider significant the fact that the population per banking office in the City of Greeley is considerably higher than average. The average population per banking office in Weld County is 5,953 people, whereas in the City of Greeley there is an average of 6,484 persons per banking office as compared with a national figure of 5,751 persons per banking office and a state figure of 9,854. It cannot be said then that either Greeley or Weld County is underbanked.

On the question whether the merger eliminates a potential entrant, we must conclude that it does not. The evidence is uncontradicted that Bancorporation has no intention of entering the Greeley market if this acquisition is disapproved. Greeley is shown by the evidence to be experiencing moderate growth, but not boom growth. This and other objective evidence corroborates the testimony from Bancorporation that it does not intend to enter the market apart from the present acquisition. Furthermore, there is no persuasive evidence in support of the conclusion that Bancorporation is now present on the threshold of the Greeley market and thereby exercises an influence on competition. As pointed out above, Bancorporation has not actively competed in the market and its presence in the wings, so to speak, is not apparent.

There is further objective evidence which supports the finding that there will be no *de novo* or other entry by Bancorporation. Testimony from the State Bank Commissioner indicates that a new state charter would

not be granted because the growth of the area would not justify it. Approval of a national charter by the Comptroller of the Currency is equally unlikely. The Regional Administrator of National Banks testified that he would not recommend any *de novo* entry during the foreseeable future. It further appears that charters have been denied in other areas which are faster growing and where the need would seem to be more apparent. Indeed, Bancorporation's application for a new charter in Montbello, which is on the edge of Denver, was denied, and this fact evidences the difficulty of obtaining approval of a new charter in the Greeley area.

Unquestionably, Bancorporation has the financial capability to enter the Greeley market *de novo,* but the practical difficulties, together with the expense, argue against Bancorporation's following this route. One other possibility has been posed by the government and that is the acquisition of the State Bank of Greeley. However, the objective evidence presented here does not suggest that this is or would be a likely possibility.

We are constrained to conclude then that there is no possibility, at least from the evidence produced at this trial, that Bancorporation will enter the market in the manner recommended by the government and, further, that there is a dearth of evidence to show that Bancorporation has any threshold influence on competition at the present time. It does not appear that it is standing in the wings, so to speak, ready to enter the market and thus serves as a restraining influence on the other institutions in the community, and it cannot be said that its entrance will significantly or

substantially lessen either present or potential competition.

It is finally argued that parallelism and other monopolistic practices are very likely once Bancorporation becomes established. We are mindful, of course, that there are two other holding companies presently in the Greeley market. No evidence whatsoever was presented at the trial which suggests that such practices are being carried on presently, and while we are not prepared to say that FNB Greeley will become an aggressive and vigorous participant in the battle for market shares, we cannot say in all fairness that it will become less competitive than at present.

We have examined the recent decisions of district courts in which the government has sought to obtain injunctions pursuant to Section 7 of the Clayton Act.[9] We have compared the various aspects of these decisions, and we note that notwithstanding that the facts presented by the government were much stronger and more formidable than are the facts in the present case, the government failed to obtain relief in each and every instance. Also, we have carefully considered the decision of the Supreme Court in *United States* v. *Philadelphia National Bank,* 374 U.S. 321 (1963), and the Court's more recent decision in *United States* v. *Phillipsburg National Bank and Trust Company,* 399 U.S. 350, 359-62 (1970). We have sought to apply the stan-

[9] United States v. First National Bank of Jackson, 301 F. Supp. 1161 (S.D. Miss. 1969); United States v. Idaho First National Bank, 315 F. Supp. 261 (D. Idaho 1970); United States v. First National Bank of Maryland, 310 F. Supp. 157 (D. Md. 1970); United States v. Crocker-Anglo National Bank, 277 F. Supp. 133 (N.D. Calif. 1967).

dards laid down by the Supreme Court in those cases to our facts in an effort to arrive at an accurate and fair decision herein. The main difficulty here is the lack of cogent evidence which even suggests that there is likely to be a lessening of competition as a result of this present acquisition. Nothing has been presented which of itself or considered with the total circumstances serves to make any impact. Nor can we see any so-called triggering effect from the acquisition in question. As heretofore noted, there are several bank holding companies in Colorado, and undoubtedly they will continue to seek acquisitions regardless of the outcome of this case. The case at bar, in any event, must be determined on its individual merits and not in relationship to any future horribles.

IV. Vertical Foreclosure—Lessening of Competition in the Sale of Correspondent Services

The government's secondary line of attack is that the proposed acquisition will substantially lessen competition in correspondent banking in Colorado. The argument is that (1) the lead bank of Bancorporation—FNB Denver—is one of six suppliers of correspondent banking services for Colorado; (2) FNB Greeley is a substantial customer or purchaser of these services in the Colorado correspondent banking market; (3) by acquiring FNB Greeley, FNB Greeley will become a captive customer for FNB Denver's correspondent banking services, Bancorporation will effectively foreclose FNB Greeley and hence this will preclude FNB Greeley from becoming a correspondent banking cus-

er of the five remaining suppliers of correspondent king services in Denver.

here is no judicial recognition of this concept, hence must consider several questions. *First,* does corre- ndent banking (or what plaintiff refers to as a "full xage of correspondent banking services") consti- an appropriate "line of commerce" or product ket within which to measure the substantiality of alleged foreclosure? *Second,* whether the State olorado is an appropriate section of the country or levant geographic market" within which to measure substantiality of any alleged market foreclosure? *rd,* taking into account the appropriately defined ket, will the acquisition and resulting foreclosure stantially lessen competition in the geographically ned product market within the meaning of Sec- 7 of the Clayton Act?

Correspondent Banking as a "Line of Commerce"

ince the competitive aspect is the main concern er the antitrust laws, the market must be defined erms of the product or line of products with respect vhich there is competition. As stated in *Brown e Co.* v. *United States,* 370 U.S. 294, 325 (1962):

> The outer boundaries of a product market are determined by the reasonable interchangeability of use or the cross-elasticity of demand between the product itself and substitutes for it.[10]

[10] Even if it can be said that when the price of coal (for example) high enough, coal users will switch to oil (cross-elasticity), the and inconvenience of doing so would normally place enough of xternal (nonprice) limitation on the demand behavior of coal

Thus, the issue is whether, in the banking industry in Colorado (or the otherwise relevant geographic market), the various correspondent banking services compete with each other within one product market, or whether they form various more or less distinct, product markets? In order to answer this question, an examination of the economic nature of correspondent banking generally and as specifically set forth in the evidence in this case is necessary.

The legal standard for determining the existence, for antitrust purposes, of a line of commerce appears to be that set forth in *Brown Shoe Co.* v. *United States,* 370 U.S. 294, 325 (1962). If commercial banking generally is to be considered a broad line of commerce which includes correspondent banking,

> * * * within this broad market, well-defined submarkets may exist which, in themselves, constitute product markets for antitrust purposes. United States v. E.I. du pont de Nemours & Co., 353 U.S. 586, 593-595, 77 S.Ct. 872, 877, 1 L.Ed.2d 1057. The boundaries of such a submarket may be determined by examining such practical indicia as industry or public recognition of the submarket as a separate economic entity, the p oduct's peculiar characteristics and uses, unique production facilities, distinct customers, distinct prices, sensitivity to price changes, and specialized vendors.

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users that coal and oil will nevertheless continue to exist in separate product markets. On the other hand, if the cost and inconvenience of switching from one type of coal to another type of coal has a relatively insignificant effect on the demand behavior of coal users, the two different types of coal will, in all likelihood, continue to exist in the same product market.

> Because § 7 of the Clayton Act prohibits any merger which may substantially lessen competition "in *any* line of commerce" (emphasis supplied), it is necessary to examine the effects of a merger in each such economically significant submarket to determine if there is a reasonable probability that the merger will substantially lessen competition.

In terms of the criteria in *Brown Shoe, supra,* the evidence presented in this case is somewhat inconclusive as to whether correspondent banking constitutes a separate and distinct product market (or product submarket of commercial banking generally). The testimony did show that there is, within the banking community at least, some recognition of the submarket as a separate economic activity and the alleged "line of products" can be said to have unique production facilities, distinct customers, and specialized vendors. On the other hand, there is no evidence in this case that the "product" has distinct prices or sensitivity to price changes. As to the product's peculiar characteristics and uses, it can be said that the range and diversity of services involved makes it somewhat difficult to classify correspondent banking services as competitive within the same market. At best, the group of services offered varies from bank to bank and the common elements are the demand deposit and the overline loan.

From the fact, however, that the alleged line of commerce (apart from the mentioned elements) is diverse and varies from bank to bank, it does not follow that they cannot be legitimately viewed, in a proper case, as a "line of commerce." The United States Supreme Court has held an equally diverse cluster of banking

products and services—commercial banking generally —to be a line of commerce.[11]

It is noted that the central feature of this alleged line of commerce is the interbank demand deposit, and arguably the larger banks compete for this by offering various services for which little or no charge is made. To this extent only it has the appearance of a line of commerce as the same is defined in *Philadelphia Bank, supra.* But in view of our conclusion that there is not a substantial lessening of competition, we need not decide or comment further.

B. *The Geographic Market*

Plaintiff contends that the relevant geographic market for correspondent banking in Colorado is limited to the State of Colorado. Yet, there is some evidence

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[11] We refer to the statement in United States v. Philadelphia National Bank, 374 U.S. 321, 356 (1963), wherein the Court said:

> We agree with the District Court that the cluster of products (various kinds of credit) and services (such as checking accounts and trust administration) denoted by the term "commercial banking," . . . composes a distinct line of commerce. Some commercial banking products or services are so distinctive that they are entirely free of effective competition from products or services of other financial institutions; the checking account is in this category. Others enjoy such cost advantages as to be insulated within a broad range from substitutes furnished by other institutions. . . . Finally, there are banking facilities which, although in terms of cost and price they are freely competitive with the facilities provided by other financial institutions, nevertheless enjoy a settled consumer preference, insulating them, to a marked degree, from competition; this seems to be the case with savings deposits. In sum, it is clear that commercial banking is a market "sufficiently inclusive to be meaningful in terms of trade realities." . . .

t the Colorado banks which solicit interbank de-
sits and offer correspondent banking services "effec-
ely compete" in a wider area. For instance, The
rst National Bank of Denver regularly travels and
icits interbank demand deposits in areas outside of
lorado including Montana, Wyoming, Nebraska,
nsas, parts of Utah, Idaho, New Mexico, Arizona
l Texas. As a result, FNB Denver generates ap-
ximately 30-40% of its interbank deposits outside of
lorado. For example, as of December 31, 1969, the
2 Colorado bank customers of FNB Denver com-
sed 48.8% of its total of 250 correspondent cus-
ners on that date, and they supplied 69% of the total
$67.6 million in interbank deposits held by FNB
nver as of that date. At the same time, FNB Denver
rried 26 accounts with Wyoming banks, 21 accounts
th Nebraska banks, 14 accounts with Montana banks,
accounts with North Dakota banks, 11 accounts with
nsas banks, nine accounts with New Mexico banks
l nine accounts with banks in Texas.

Plaintiff's argument that areas outside of Colorado
uld be excluded because non-Colorado banks obtain
ver correspondent services from Denver banks is
thout merit. It is conceded that even Colorado banks
not normally obtain a "full package" of corres-
ndent services from any one Denver bank, and, in
y event, we fail to see a relevant distinction between
nks which obtain all of the available correspondent
rvices and those which obtain only some of them.

Plaintiff may have a valid argument in asserting
at only Colorado banks can utilize their Denver cor-
spondent as a depository for bonds or other collateral
hich are required by Colorado law to be posted as

security for deposits of the State Treasurer in Colorado banks. Plaintiff also asserts that only Colorado banks would have a demand for utilizing the expertise of their Denver correspondent for advice on matters peculiar to Colorado law, and that Colorado thus constitutes a substantial geographic submarket.

In view of the fact that the effect of this acquisition on competition is insubstantial under either definition of the geographic market, it is unnecessary to make the precise distinction here asserted by the parties.

C. *Substantiality of the Alleged Foreclosure Effect*

The parties have not presented evidence from which the substantiality of the alleged foreclosure effect can be precisely determined. Plaintiff contends that the amount of correspondent bank balances are the best measure of the amount of correspondent banking business done by banks offering such services. However, the evidence is to the effect that the banks themselves use a much more sophisticated and accurate method of accounting for the correspondent banking transactions in which they engage. FNB Denver, for example, analyzes its larger demand deposit accounts in terms of (1) the income generated by the "average balance" after deducting therefrom the 17½% reserve requirement and the "uncollected funds"—*i.e.*, funds which have been deposited with FNB Denver, but have not yet been collected and are thus unavailable for investment; and (2) the expenses to be charged against the account for services rendered. If at the end of a quarterly accounting period the analysis reveals a loss, FNB Denver generally bills the customer for the excess charges. If the amount of "uncollected funds" was

a constant percentage of the average balance like the 17½% reserve requirement, then the average interbank demand deposit would be an accurate *relative* measure of the degree of foreclosure. However, the evidence indicates that the proportion of "uncollected funds" allocable to various accounts varies from customer to customer. Thus, the gross average interbank balance is at best a very rough, inaccurate approximation of the amount of correspondent banking business done by banks offering such services.

Based on a comparison of interbank demand balances as an acceptable measure of the degree of foreclosure likely to be effected by the proposed acquisition, the foreclosure effect does not appear to be substantial in the context of the banking industry and the particular submarket here involved, however defined. If FNB Denver were to succeed to all of FNB Greeley's correspondent business in FNB Denver's "service area," [12] (and it is not certain that it will succeed to all of it), FNB Denver would gain 7/10ths of one percent of service area correspondent balances. Assuming that Colorado is the relevant geographic market, FNB Greeley's correspondent balances represent only somewhat less than 7/10ths of one percent of the correspondent balances held by Colorado banks (in all banks).[13]

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[12] Major Denver banks have nearly 90% of their sales of bank services to other banks in a service area which includes Colorado, Kansas, Nebraska, New Mexico and Wyoming.

[13] According to plaintiff's statistic, FNB Greeley's correspondent balances represent 1.2% of all such deposits *in the six Denver correspondents* from Colorado banks. This statistic assumes that the market is limited not only to Colorado customers, but to that portion of the Colorado customers' business which remains in Colorado. This percentage, as well, appears to be insubstantial under the circumstances presented by this case.

We have considered cases cited by plaintiff to the effect that foreclosure of a relatively small percentage of a national retail sales or supply market constitutes substantial lessening of competition. None of the percentages are as minimal as those involved here.[14] In any event, a local or regional banking market presents a wholly different competitive situation from a national retail sales or supply market in shoes, chemicals, paper or steel. We are not here dealing with nation-wide giant corporations threatening to take over an entire line of commerce and divide it up between them, and the measure of substantiality must be gauged in the context of the particular industry and market involved.

Plaintiff relies on the fact that there is a statewide trend toward bank acquisition which is bound to produce vertical foreclosure in the correspondent banking market relevant here. But most of the evidence of future acquisitions—particularly as concerns Bancorporation's participation—is based on proposed acquisitions which have either not been approved by the Federal Reserve Board or are presently pending litigation. While we must consider the probable *future* effects of *this* particular acquisition, we must not evaluate the effects of this acquisition by prejudging the merits of pending acquisitions which are not presently before the Court.

In sum, we are unable to conclude, in light of the past trend of bank acquisitions up to this point in

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[14] Brown Shoe Co. v. United States, 370 U.S. 294 (1962); United States v. Kimberly-Clark Corp., 264 F. Supp. 439 (N.D. Cal. 1967); United States v. Kennecott Copper Corp., 231 F. Supp. 95 (S.D.N.Y. 1964); United States v. Bethlehem Steel, 168 F. Supp. 576 (S.D.N.Y. 1958).

time, or considering the possible future acquisitions, that the minimal amount of foreclosure which would result from this acquisition constitutes a substantial lessening of competition within the meaning of Section 7 of the Clayton Act. To hold otherwise would serve to automatically preclude an acquisition in *any* instance in which a correspondent relationship had existed or was even potential.

CONCLUSION

Having concluded that the government has failed to sustain its several allegations that the acquisition in question has the effect substantially to lessen competition, or to tend to create a monopoly in a line of commerce in a section of the country as required by Section 7 of the Clayton Act, it follows that the requested relief must be denied and that the complaint and cause of action must be dismissed. It is so ordered.

The Court's findings and conclusions are contained in this opinion, and hence formal findings and conclusions are dispensed with.

The government is granted a stay of proceedings for 30 days. During this period the statutory injunction will remain in force.

DATED at Denver, Colorado, this 12th day of July, A.D. 1971.

BY THE COURT:

/s/ William E. Doyle
WILLIAM E. DOYLE, *Judge*

APPENDIX B

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

UNITED STATES OF AMERICA, PLAINTIFF, *v.* THE FIRST NATIONAL BANCORPORATION, INC. AND THE FIRST NATIONAL BANK OF GREELEY, DEFENDANTS.	Civil Action No. C-2413

Filed, Aug. 27, 1971, G. WALTER BOWMAN, *Clerk.*

ORDER

In accordance with the oral opinion rendered by this Court on August 9, 1971, after hearing, regarding the disposition of Plaintiff's *Motion to Re-Open the Record, to Make Additional Findings of Fact and to Amend the Judgment,* dated July 22, 1971, and Plaintiff's *Motion to Extend the Statutory Stay,* dated August 3, 1971;

IT IS HEREBY ORDERED that the aforesaid *Motion to Re-Open the Record, etc.* is denied.

/s/ William E. Doyle
United States District Judge

Dated:

Approved as to form:

/s/ Herbert G. Schoepke
Attorney, Department of Justice
Attorney for Plaintiff

METZGER, SCHWARZ, MCKENNA & KEMPLER

By: Carl W. Schwarz
A Member of the Firm
Attorneys for Defendants

APPENDIX C

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

UNITED STATES OF AMERICA, PLAINTIFF, *v.* FIRST NATIONAL BANCORPORATION, INC. AND THE FIRST NATIONAL BANK OF GREELEY, DEFENDANTS.	Civil Action No. C-2413

NOTICE OF APPEAL TO THE SUPREME COURT OF THE UNITED STATES BY THE UNITED STATES OF AMERICA

Notice is hereby given that the United States of America, plaintiff herein, appeals to the Supreme Court of the United States, under the Expediting Act, 15 U.S.C. Section 29, from the judgment entered July 12, 1971, dismissing the complaint in this action, which became final upon entry of the order of August 27, 1971, denying the timely motion of the plaintiff, United States, to re-open the record, make additional findings of fact and conclusions of law, and grant the relief request in the complaint as amended.

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IN THE

G. ROBERT SEAVER, CLERK

Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-703

UNITED STATES OF AMERICA,

Appellant,

—v.—

FIRST NATIONAL BANCORPORATION, INC. and
THE FIRST NATIONAL BANK OF GREELEY,

Appellees.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

MOTION TO AFFIRM

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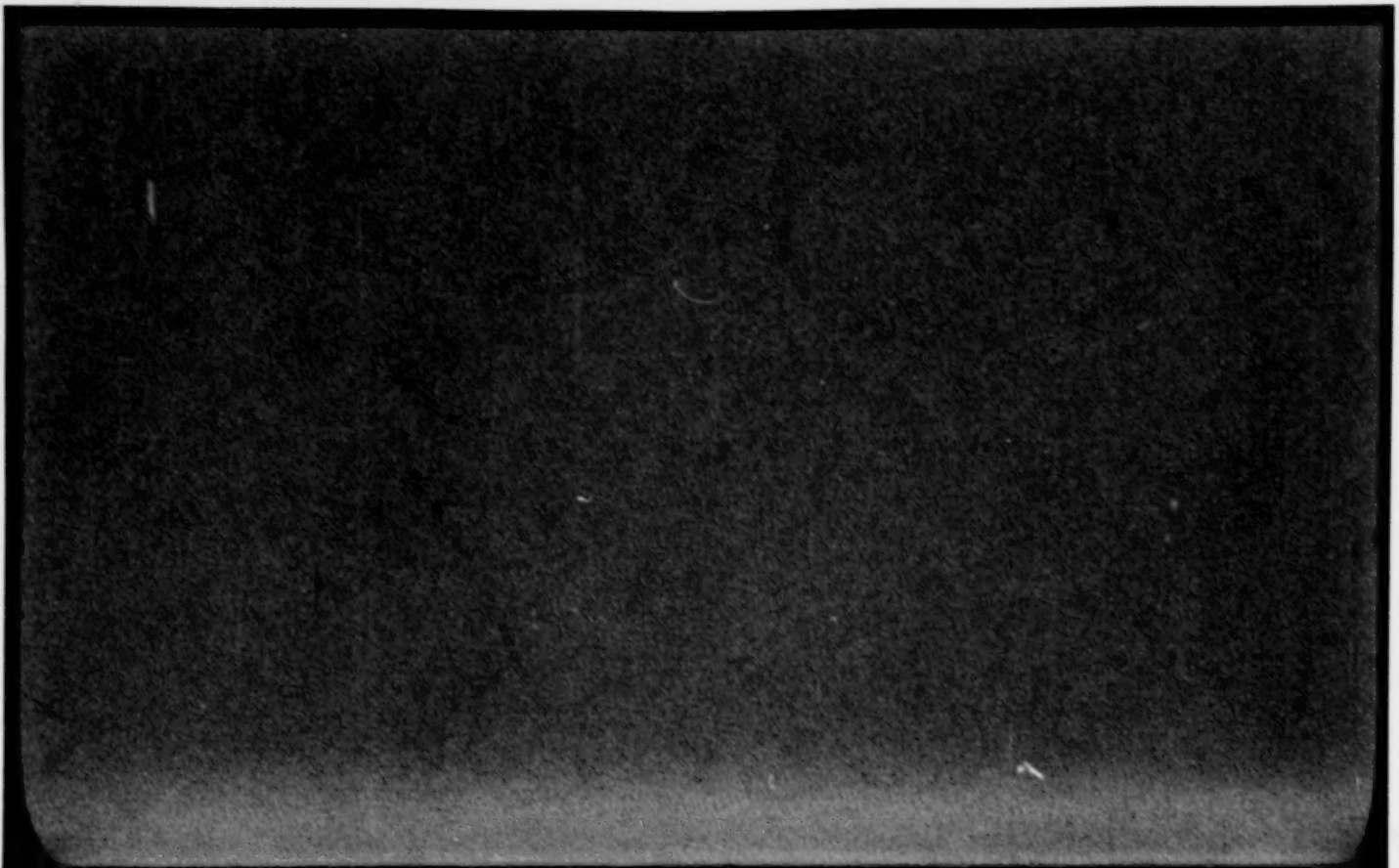

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-703

UNITED STATES OF AMERICA,

Appellant,

—v.—

FIRST NATIONAL BANCORPORATION, INC. and
THE FIRST NATIONAL BANK OF GREELEY,

Appellees.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

MOTION TO AFFIRM

Appellees move the Court to affirm the judgment sought to be reviewed on this appeal on the ground that it is manifest that there are no material disputed questions of fact, and the question of law as to which review is sought is, on its face, without substantial merit.

The Principal Question Restated

Appellant's jurisdictional statement herein misstates the question presented to this Court. The question should be "Can the Department of Justice, under color of the Clayton Act, succeed to the power to regulate the structure of the banking industry, a duty which the Congress assigned to the bank regulatory agencies?"

In a thinly disguised modestly *in terrorem* argument addressed to the district court, the Department of Justice opened its case below[1] with the proud boast that this Court has *never*[2] rejected its arguments in a Clayton 7 case. Appellee[3] believes, as have all the district courts which have considered the Department of Justice's bank merger potential competition theories, that this high order of confidence has led Appellant to explore frontiers far beyond the reach of the statute it purports to enforce.[4] We suggest that humility is a virtue from which prosecutors as well as defense counsel might profit. If Appellant has won all the Clayton 7 cases before this Court to date, perhaps the Court may feel it is time a balance of sorts was struck. Certainly, no more apt vehicle could be found for that purpose.

On October 18, 1968, the First National Bank of Denver and three small suburban Denver shopping center banks it had organized (combined deposits 6/30/70, $495.7 million, PX 114), caused the formation of The First National Ban-

[1] Plaintiff's Pre-Trial Brief, p. 5.

[2] This position requires considerable suppleness in respect to the second *Penn-Olin* appeal, *United States* v. *Penn-Olin Chemical Co.*, 389 U.S. 308 (1967), affirming 246 F. Supp. 917 (D. Del. 1965) by an equally divided Court.

[3] The term "Appellee" applies jointly to the acquiror and acquiree for purposes of addressing the Court. As a business entity, the term is intended to refer to the acquiror, First National Bancorporation.

[4] *United States* v. *Crocker-Anglo National Bank*, 277 F. Supp. 133 (N.D. Cal. 1967) (Judge Zirpoli), *United States* v. *First National Bank of Jackson*, 301 F. Supp. 1161 (S.D. Miss. 1967) (Judge Nixon), *United States* v. *First National Bank of Maryland*, 310 F. Supp. 157 (D. Md. 1970) (Judge Kaufman), *United States* v. *Idaho First National Bank*, 315 F. Supp. 261 (D. Idaho 1970) (Judge Boldt), and the court below, *United States* v. *First National Bancorporation*, 329 F. Supp. 1003 (D. Colo. 1971) (Judge Doyle).

poration, Inc. ("Bancorporation") as a parent bank ding company. On March 21, 1969, Bancorporation en- ed into an understanding which was to lead to its first uisition, The First National Bank of Greeley, Weld nty, Colorado ("FNB Greeley") (6/30/70 deposits, 3 million, PX 123), some fifty-two miles north of Den- . Appellant brought suit, alleging a violation of Sec- n 7 of the Clayton Act.[5]

t quickly became apparent at the trial that Appellant's position was not that the affiliation would, in reasonable bability, substantially lessen competition in *Weld nty;* but rather that large banks (relatively) in a state ht not be allowed to acquire the larger banks in local rkets if the larger banks in the state had a (subsumed) icompetitive but as yet undefined share of total state osits.[6] Appellant apparently believes that the establish-

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[5] "No corporation . . . shall acquire . . . the stock . . . of another poration . . . where in any line of commerce in any section of country, the effect of such acquisition may be substantially to en competition, or to tend to create a monopoly." (38 Stat. as amended, 64 Stat. 1125, 15 U.S.C. § 18).

[6] Appellant has not objected to the acquisition of $200 million ar banks by billion dollar banking organizations when state entages were not as high as here. Thus, it has given its nihil at—subsequent to this proposed affiliation—to the acquisition wo of the five Akron, Ohio banks (a city of 275,000) Akron ional Bank of Commerce (6/30/71) deposits of $219,152,000 nerican Bank Directory, Fall, 1971, ed.) and American Bank Commerce (6/30/71 deposits of $150,607,000 (*id.*)) by BancOhio poration (6/30/71 deposits of $1.6 billion, 28 subsidiary banks, % of $22.26 billion state deposits (*In the Matter of the Appli- on of BancOhio Corp.*, 1971 Fed. Res. Bull. ——, Order dated ember 22, 1971)), and CNB Bancorporation (6/30/71 deposits 1,288 million—including American—American Bank Directory, , 1971 ed., or 5.8% of state deposits), respectively. (For the rd's opinions in the Akron cases, see 1970 Fed. Res. Bull. 787 1971 Fed. Res. Bull. 751.) Since Bancorporation had about % of Colorado deposits ($495.7 million, PX 115) and FNB eley had $39.2 million in deposits at the time of suit (6/30/70, 74), the dividing line appears thin.

ment of such a policy would create an environment in which the prospects of maximum competitive options by market would be enhanced. Appellant has offered no facts in support of this proposition; and indeed, such objective evidence as has been adduced on the question supports a precisely contrary conclusion.

Regardless of whether we are willing to make the act of faith implicit in the creation of this epistemological bridge, what clearly emerges is Appellant's desire to regulate, to structure the banking industry along lines which it views as being in the public interest. The Clayton Act case alleged would require Appellant to prove that this affiliation would, in this market, in reasonable probability, have demonstrable and substantial anticompetitive effects. What emerged at the trial was Appellant's enunciation of a proposition, a postulate, that, all things being equal, at a point somewhere between a state deposit share of 7% and 12% in any one of the larger banks, the long range structure of banking markets in those states generally would be more diversely served if that larger bank were barred from acquiring any local banks with a substantial share of their local markets. As a regulatory philosophy we do not agree that Appellant's thesis will serve this end. We believe it to be at odds with the experience of the industry.

Be that as it may, Appellant is trenching on the province of other agencies. The power to regulate the structure of the banking industry has been assigned by the Congress to the bank regulatory agencies; specifically as to bank holding company growth, to the Federal Reserve Board. We believe that the Board has done a responsible job in discharging that duty, as indicated by its 10-year record of approvals and denials of applications (Appendix A),

when compared to Appellant's similar record. Appellant is apparently in accord with this conclusion.[7] To say that Appellant is acting in good faith in what it believes are the best interests of the industry and the public is not enough. If the power to structure the banking industry is to be transferred to the Department of Justice, that decision ought to be reserved to the Congress, and not sought via a judicial transformation of a statute which neither in terms nor as previously interpreted by this Court has been violated. Witness the court below:

> We have sought to apply the standards laid down by the Supreme Court in those cases [*Philadelphia National Bank* and *Phillipsburg*[8]] to our facts in an effort to arrive at an accurate and fair decision herein. The main difficulty here is the lack of cogent evidence which even suggests that there is likely to be a lessening of competition as a result of this present acquisition. Nothing has been presented which of itself or considered with the total circumstances serves to make any impact. (329 F. Supp. at 1016.)

Courts concern themselves with evidence; the implementation of social theory is a legislative function.

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[7] The Honorable Richard W. McLaren, Assistant Attorney General, Antitrust Division, testifying before the Senate Banking and Currency Committee on May 18, 1970, said that the Board had done "a generally sound and responsible job of handling bank acquisitions." Hearings Before Committee on Banking and Currency on S. 1052, S. 1211, S. 1664, S. 3823 and H.R. 6778 (Bills to Amend The Bank Holding Company Act), U.S. Senate, 81st Cong., 2 Sess., pt. 1, pp. 238, 244.

[8] *United States* v. *Philadelphia National Bank*, 374 U.S. 321 (1963), *United States* v. *Phillipsburg National Bank and Trust Co.*, 399 U.S. 350 (1970).

Structure of Banking in Colorado

Colorado is a unit banking state, that is, no bank with an office in Colorado may establish branch banks (Colo. Rev. Stat. 1963 § 14-3-1 (1969)). There are, however, no statutory inhibitions on the development of holding companies. In 1956, Western Bancorporation, with year-end 1970 deposits of $9.7 billion dollars and subsidiaries in 11 western states (Moody's Bank & Finance Manual, 1971), acquired 3 Colorado banks (DX 3). It became the first and remains the largest of the holding companies doing business in Colorado (329 F. Supp. at 1009).

At year-end 1961, the banking picture in Colorado was as follows:

Number of Banks	Number of Banking Organizations	Share of State Commercial Bank Deposits controlled by 5 largest organizations
166	164	52.0%[9]

(DX 28-29).

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[9] The posture of the large wholesale Denver banks in Colorado banking is substantially overstated (with relation to the large retail chains in statewide branching states) by use of gross deposit data. The single-office, wholesale, regional bank in Denver has a much smaller share of the State's small individual depositor business than gross data would suggest. Thus, in 1968, when Bancorporation had 14.99% of Colorado deposits in terms of gross dollars, it had only 5.2% of the *number* of accounts of the small ($0-$1,000.00) depositors and 5.7% of their dollars of deposit although this size account amounted to over 78% of all accounts by number. The 5 largest organizations in the state had 48.3% of the dollars of deposit but only 24% of both dollars and numbers of account in the small depositor category (DX 35).

Even those numbers would need to be scaled down today, as Bancorporation's gross share in June of 1970 had dropped another two percentage points to less than 13% (PX 115).

It will be observed that Western Bancorporation remained the only holding company. The following years, however, saw the establishment of the first locally-based holding companies (DX 3). United Banks of Colorado, the most active, was formed around the Denver United States National Bank (DX 3).

Year Joined Holding Company	Name and Location (County)	Year Bank Organized	Deposits (000) Year-End 1970
1964	Denver U.S. Nat'l. Bank (Denver)	1884	$ 485,442
1964	First Bank of Aurora (Arapahoe)	1943	14,606
1964	Arapahoe Valley Bank, Littleton (Arapahoe)	1958	16,826
1965	Weld County Bank, Greeley (Weld)	1889	27,370
1966	Mercantile Bank & Trust Co., Boulder (Boulder)	1904	25,549
1969	Poudre Valley Nat'l. Bank, Fort Collins (Larimer)	1878	40,189
1969	Arkansas Valley Bank, Pueblo (Pueblo)	1950	19,541
1970	Villa Nat'l. Bank, Denver (Denver)	1966	7,568
1971	Mesa Nat'l. Bank of Grand Junction, (Mesa)	1964	8,279
1972[10]	Colorado Commercial Bank, Colorado Springs (El Paso)	1903	16,267

(DX 2 and 3).

[10] Acquisition approved by Board of Governors of the Federal Reserve System, December 7, 1971 (slip copy of order). Appellant's counsel has gone out of its way to characterize this as a "foothold" and therefore presumably desirable affiliation (Transcript of hearing of August 9, 1971, p. 14).

These nine acquisitions involved $176 million in 1970 deposits and the second largest banks in the communities of Aurora, Littleton and Fort Collins, the third largest in Greeley, Boulder and Grand Junction and the fourth largest in Pueblo and Colorado Springs (DX 2). They suggest that any Justice Department policy against acquisition of leading local banks by the larger banking organizations in the state (and United is the second largest banking organization in Colorado, behind Western) must have originated after 1969 when United acquired Poudre Valley. A further modification of this policy may be seen in the Justice Department's approval of the organization of Affiliated Bancshares of Colorado, Inc. ("ABC") in 1970 (See 1969 Fed. Res. Bull. 954, DX 3). This organization was made up of 13 banks, representing 4 separate banking groups (*id.*).

Year Joined Holding Company	Name and Location (County)	Year Bank Organized	Deposits (000) Year-End 1970
1970	FNB Boulder (Boulder)	1934	$ 68,309
1970	Arapahoe Nat'l. Bank Boulder, (Boulder)	1960	6,958
1970	FNB Lafayette (Boulder)	1953	3,904
1970	FNB Louisville (Boulder)	1915	3,508
1970	Greeley Nat'l. Bank (Weld)	1934	43,735
1970	Cache Nat'l. Bank of Greeley (Weld)	1962	7,738
1970	West Greeley Nat'l. Bank (Weld)	1963	3,557
1970	Farmers Nat'l. Bank of Ault (Weld)	1906	6,221

Year Joined Holding Company	Name and Location (County)	Year Bank Organized	Deposits (000) Year-End 1970
1970	FNB Loveland (Larimer)	1932	$ 25,433
1970	Westlake First Nat'l. Bank Loveland (Larimer)	1964	3,718
1970	FNB Colorado Springs (El Paso)	1874	104,210
1970	Bank of Manitou Springs (El Paso)	1907	3,663
1970	Fort Carson Nat'l. Bank (El Paso)	1967	4,892

(DX 3).

Each of the four groups (one per county) had previously been controlled by its own separate group of individual stockholders (1969 Fed. Res. Bull. 954, 955). They totaled $286 million in 1970 deposits (DX 3) and combined the *largest* banking organizations in Boulder (county and city), Greeley and Weld County, Colorado Springs and El Paso County, and the City of Loveland (DX 2). Since this holding company passed muster *while* Appellant was considering the FNB Greeley acquisition, we must assume that the policy originated in 1969 also excludes affiliations of leading local banking organizations if they do not include leading banks in the largest market in the state.

In 1968, First National Bank of Denver decided to abandon its long struggle to obtain branch banking authority in Colorado and follow its competitors into holding company development (PX 4). It formed Bancorporation with itself and its *de novo* affiliates First National of Bear Valley, First National of Southglenn and First National

of Northglenn as members. Over the next two years, Bancorporation entered into tentative understandings of affiliation with five banks—FNB Greeley, FNB Pueblo, Exchange National of Colorado Springs, Montbello State Bank and Security State Bank of Sterling. The Federal Reserve Board denied two of the applications on competitive grounds (FNB Pueblo and Montbello State, DX 49, DX 52). Appellant brought suit on each of the remaining three. The Exchange affiliation (complaint filed 4/28/71) was abandoned when the principal stockholder of that bank advised that his financial situation would not permit him to await outcome of the litigation (Letter of Bruce D. Alexander of May 10, 1971, Appendix to Motion, filed August 12, 1971, in *United States* v. *First National Bancorporation, Inc.*, Civ. No. C-3077, D. Colo.). The Security State case is pending.[11]

After the trial of this case, Appellee acquired the National State Bank of Boulder, a part of the bankrupt Parsons banking empire. The Appellant again threatened suit by filing a competitive report characterizing the affiliation as "significantly adverse" to competition (Letter from Richard W. McLaren, Assistant Attorney General, Antitrust Division, to Honorable Arthur F. Burns, Chairman, Board of Governors of the Federal Reserve System, March 3, 1971). The Administrator of National Banks, in his advisory opinion, characterized National State (a national bank under his supervision) as "endangered" with

[11] Civ. No. C-2754, D. Colo., Complaint filed 12/2/70. It is interesting to speculate on the extent to which Appellant's martial ardour as to the Greeley affiliation derived from its combined fear as to the five proposals. One wonders what might its decision have been if only the Greeley and even more innocuous Sterling applications had been pending at the time the decision to sue Greeley was taken.

an extraordinarily high maturity on its bond portfolio (22 years against a national 5 or under) which, coupled with a high loan-to-deposit ratio and a long term loan portfolio, raised severe liquidity problems (Letter from William B. Camp to Board of Governors of the Federal Reserve System, February 23, 1971). The responsible agency, the Federal Reserve Board, reached the unprecedented conclusion that "the financial condition of the bank, and its management, are so unsatisfactory as to constitute the dominant considerations supporting and more, *requiring*, Board approval of this application." (1971 Fed. Res. Bull. 613, 615, emphasis added.) The acquisition was consummated without suit. Appellee was thereafter forced to replace the entire top echelon of management and inject large amounts of additional capital.

Despite the development of the holding company structure in Colorado since 1961, there has been a significant *increase* in the number of banking organizations and a significant *decrease* in the market share of the largest organizations:

Year End	Number of Banks	Number of Banking Organizations	Share of State Commercial Bank Deposits controlled by 5 largest organizations
1961	166	164	52.0%
1970	228	198	47.8%

(DX 28-29).

The trends in Colorado have been exactly the converse of the trends toward concentration against which Congress created the barrier of the Celler-Kefauver Act of 1950. See *Brown Shoe Co.* v. *United States*, 370 U.S. 294, 315 (1962).

Similarly, there were 3 banks representing 3 banking organizations in Greeley in 1960; there are 6 banks representing 4 banking organizations today (DX 2). Thus, Appellant's "trend toward concentration" (Jurisdictional Statement, pp. 14, 15, 18) is a sheer fable—in the case of *both* Greeley and the State of Colorado.

Appellant's thesis that this affiliation cannot pass muster because of an alleged trend toward concentration in the hands of large holding companies is not only squarely refuted by the evidence, but perhaps more critically, would usurp the regulatory role of the Federal Reserve Board, which is obliged to pass on *every* holding company formation and *every* bank acquisition by a bank holding company under 12 U.S.C. 1828(c) and 1842(a)(3). In the Board's own words:

> Presumably, one of the reasons for the requirement of administrative approval of individual cases, rather than the establishment of firm legislative guidelines, is to permit the recognition of distinctions which may exist among cases which would otherwise be grouped in proscribed or permitted categories. Each application should be analyzed on the basis of the competitive structure of the market and other facts existing at the time of Board consideration of the matter.[12]

By refusing to permit this case by case approach, Appellant would substitute its own prior veto for future Board decisions. We submit that this procedure serves to nullify the regulatory processes which Congress entrusted to the Board.

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[12] Order approving acquisition of the Exchange National Bank of Colorado Springs, Colorado Springs, Colorado, by First National Bancorporation, 1971 Fed. Res. Bull. 345, 348-49.

While a trend towards concentration is central to any Clayton 7 violation, the case fails in many other relevant respects as well. In the absence of actual competition affected herein,[13] we must assess the impact of the affiliation on the *prospect* of competition.

Potential Competition

There are 4 banking organizations in Greeley *now,* there will be 4 in Greeley if this application is consummated. Plainly, competition will not be lessened (unless a vigorous competitive force was being eliminated and a less competitive entity was being substituted—precisely the contrary is true—see p. 28, *infra*). This Court has postulated, however, that a reasonable probability of substantial lessening of competition can result, even when the merging institutions do not compete, upon the juxtaposition of certain conditions of fact. Each are essential to Appellant's case. We shall demonstrate that none of these conditions are present here.

1. *The Market Must Be Highly Concentrated—i.e., The Market Must Already Be Served With Significantly Fewer Entrants Than Are Associated With The Larger Economies Of Scale Attendant Upon The Industry In Question.*[14]

Appellant first concedes, "local banking markets can support only a limited number of banks" (Jurisdictional State-

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[13] Appellant concedes that the two organizations involved herein are not now in substantial actual competition (Jurisdictional Statement, p. 9) and therefore such competition cannot be substantially lessened.

[14] For example, The Honorable George D. Romney, now Secretary of The Department of Housing and Urban Development, testified before a Congressional Committee inquiring into concentration in the automobile industry, while he was Chief Executive

ment p. 17), and thereupon concludes, "such markets are inherently concentrated." (*Ibid.*) Appellant's conclusion is either a mis-labeled truism or pure nonsense. The proposition that local banking markets can support only a limited number of banks means only that a limited number of banks

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Officer of American Motors, that most of the economies of scale in auto assembly could be encompassed by a two line assembly operation producing about 200,000 cars per year. Statement of George D. Romney on February 7, 1958, in Hearings (Administered Prices) Before the Subcommittee on Antitrust and Monopoly of the Committee on the Judiciary, U. S. Senate, 85th Cong. 2 Sess., pt. 1, pp. 2842, 2851.

Assuming a market which can absorb 1.2 million cars a year, 4 manufacturers would appear to approach an ideal market structure in the public interest. On the other hand, assuming a market which can absorb 10 million cars a year, four manufacturers would appear highly restrictive and to comprehend a "highly concentrated" industry. No one, we submit, would urge that our country should structure its industries to deny to the consuming public at least the larger savings in cost which can be associated with size. Rather, we believe that the Congress' absorption with "high concentration" in its amendments to the Clayton Act was directed toward concentration which it felt significantly exceeded that associated with major efficiencies. (Note Mr. Justice Stewart's observation in dissent, *United States* v. *Von's Grocery Co.*, 384 U.S. 270, 288 (1966), that the level of concentration obtaining in grocery distribution must be tested against the market reality that a single supermarket—through affiliation with a co-operative—could secure all of the economies of scale available to a chain.) Appellant has adopted the position that an industry or any segment thereof is "highly concentrated", i.e., is undesirably structured in that it has too few entrants within the intendment of the Clayton Act, whenever and wherever the share of the market controlled by the four or five larger entrants approached 50%. Thus, Appellant's expert witness concluded that *all* Standard Metropolitan Statistical Areas in the United States, wherever situated, whatever the banking laws, and however the structure was arrived at, were "highly concentrated" in the pejorative sense of the word (Tr. 370, 374-75). Rather than assuming that all 247 separate markets were "highly concentrated", we submit that the more responsible presumption would be that the norms for 247 markets probably closely approximate the natural size patterns appropriate to the needs of the industry.

consistent with the larger economies of scale attendant on the banking industry. Yet a significantly smaller mber of entrants than the market can support is an ential postulate to an hypothesis that lack of a particular tential entrant is a significantly anticompetitive event. a market is adequately or appropriately served by the mber of entrants it presently has, the presence or ab- ce of any number of "potential entrants" cannot be a stantially anticompetitive event. The word "concentra- n", usually associated with the terms "high" or "great" used in the debate on the Amendment to Clayton 7 in 0, is consistent only with a congressional premise that industries under consideration contained substantially er companies than was consistent with their natural ucture (see 95 Cong. Rec. 11484-11507, 81st Cong., 1 Sess. 49)) and not with any suggestion that the public in- est in a quality product at a reasonable price was to sacrificed on the altar of pure numerology in industry uctures.

In 1970, there were 126 cities in the United States with pulations of 30-50,000 people (Greeley had 38,902). ghty-one were served by three or fewer banking organi- ions (64.3%). Thirty-four were served by four bank- organizations (including Greeley) and only 11 by five more (10 by 5, one by 7) (DX 34). Thus, 91.3% of the es of comparable size to Greeley were served by as many fewer banking organizations. Surely, this is evidence t Greeley is not "highly concentrated" in the sense that trong need for more entrants has been established by ply announcing that Greeley is served by four banking anizations. *Some* evidence, at least, that cities the size Greeley need more banking alternatives must be adduced

—none was even offered. In *Philadelphia National Bank*,[15] this Court noted an unhealthy trend toward concentration by pointing out a decline in the number of banking organizations in the market from 108 to 42 over 14 years and a resultant increase in the deposit share of the largest banks from 61% to 90%. The existence of 108 sound banks in a market would appear to be clear evidence that said market can support that number of institutions and at least a trend toward concentration may be fairly derived. But when the number of organizations has increased (as in Greeley) and the only evidence on the reasonableness of that number suggests that it represents a high industry norm, then how justify a conclusion of significantly anticompetitive structure? And if the structure is not anticompetitive, why concern ourselves with a stock of reserve entrants?

2. *The Acquiring Company Must Be One Which Would, In Reasonable Probability, Have Entered The Market Itself In The Reasonably Foreseeable Future If The Affiliation Had Not Taken Place.*

Bancorporation testified flatly, through the executive vice president of its principal subsidiary, that it had no interest in entering the Weld County market by any other route save this affiliation (Tr. 728). Despite voluminous discovery, Appellant was unable to offer a single word to contradict these statements. Instead we are told that subjective representations are irrelevant,[16] and that this Court

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[15] *United States* v. *Philadelphia National Bank*, 374 U.S. 321, 331 (1963).

[16] But subjective representations are, if true, not merely relevant, they must be conclusive. For, if we assume that a market is the most desirable in the world, that the rate of return far exceeds that available elsewhere, and that the best interests of the company

must shut its eyes to the unchallenged testimony and look only to "objective" evidence—i.e., the relative attractiveness of the market to an impartial eye. We deny this standard, save as it confirms or denies a conclusion based on conflicting evidence as to subjective intent, but we affirm that such a standard affords but cold comfort to Appellant here. Of the 13 Colorado communities of 25,000 or more, Greeley has had the *lowest* absolute growth over the last 30 years (DX 41). Of all counties of 50,000 or more in the State of Colorado, Weld has (generally by a factor of 2) the *lowest* population per banking office (DX 40). Of all cities of 20,000 or more in the State of Colorado, Greeley has the *lowest* population per banking office (DX 41). Bancorporation had no banking office outside the immediate Denver area, yet by these key criteria, *all* of the other cities of size in the state are more attractive for *de novo* entry.

The market experience of the last commercial bank to be established in downtown Greeley clearly suggests that a fifth downtown bank would have hard sledding. State Bank of Greeley had been an industrial bank with time deposits of about $1.2 million when it converted in 1965

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require entry, nevertheless, if management, in truth, is determined not to enter the market, then the company is not a potential entrant. Objective evidence is useful to test the truth of the subjective conclusion where there are some grounds to question it, as in *Federal Trade Commission* v. *Procter & Gamble Co.*, 386 U.S. 568, 580-581 (1967) and *United States* v. *Penn-Olin Chemical Co.*, 378 U.S. 158, 165-166, 172 (1964). It is plain that at least 4 members of this Court as well as the District Court, in the second round of the *Penn-Olin* case, considered the somewhat ambivalent subjective evidence of Pennsalt's intent to be dispositive of the question of potential entry in that case (389 U.S. 308 (1967), affirming 346 F. Supp. 917 (D. Del. 1965) by an equally divided Court). How much stronger is the case here, where there is no conflict as to subjective intent?

to commercial status (DX 2, Tr. 729). By year-end 1970, it had combined demand and time deposits of but $2.1 million (DX 2), or almost no increase in the share of city deposits it had at the point of conversion (DX 39).

3. *The Acquiring Company Must Be One Of A Very Limited Group Of Potential Entrants.*

Even in a critically overconcentrated market, the disappearance of one potential entrant (*arguendo*) could hardly be construed, in reasonable probability, to constitute a substantially anticompetitive event if there remain a significant number of alternatives (literally scores of potential entrants are suggested by the record in this case (*infra,* p. 19)). Thus in *El Paso,*[17] Pacific was the *only* extant pipeline tapping both Canadian and Southwestern sources within easy reach of the California markets (*id.,* at 652). The cost of such a line could be measured in the hundreds of millions. Maintaining the independence of Pacific was critical to a possible dissolution of El Paso's monopoly position. Clorox' monopoly position in chlorine bleach was maintained primarily through advertising (*Procter & Gamble,* 386 U.S. at 572). The products were fungible and purchase of any one in lieu of another rested on a false image of superiority (*ibid*). Procter & Gamble, already dominant in a related field, considering entry itself and being the largest advertiser in the world (*id.,* at 573) was in a *unique* position to challenge Clorox' market power. Its removal from the pool of potential entrants would have been critical to any hoped-for dissolution of Clorox dominance (386 U.S. at 575). In *Penn-Olin,* Pennsalt was the *only* manufacturer of sodium chlorate in the United States without a plant in the Southeast; there were but 3 manu-

[17] *United States* v. *El Paso Natural Gas Co.,* 376 U.S. 651 (1964).

facturers (378 U.S. at 163-164). Olin owned the patents on the manufacturing process (378 U.S. at 164, 175). Their jointure would mean that any new entrant would not only have to risk the millions associated with plant and sales establishments (see the District Court's opinion, 217 F. Supp. 110, 129, n. 23 (D. Del. 1963)), but would have to surmount high technical barriers.

Consider a commercial bank in Greeley. Unlike a manufacturer or distributor, a banker cannot build a facility to a chosen size. One does not open a $40 million bank. A bank is established at $0 deposits and its plant is designed to comport with its position. No banker erects a mausoleum. He cuts his cloth to his market. Assuming regulatory approval, to open a small bank calls for one qualified lending officer and one to three hundred thousand dollars in capital. Entrepreneurs on this scale are easy to find in Colorado. Between 1960 and 1970, 64 new banks were opened in Colorado (DX 28), only 10 by men associated with the six largest banking organizations in the state (DX 3). There are no barriers to entry worth noting when one small state can create so many new enterprises in a single decade. Plainly there is no dearth of either capital or personnel to organize, buy or operate a modest banking facility. Yet Appellant seeks to preserve Bancorporation to fill no larger role.

Appellant seeks to lift Bancorporation out of this mass of "potential" entrants because it is (a) the largest banking organization (b) not already doing business in Greeley (c) which could open a bank in Greeley. Although there are many which could enter Greeley, our size is held to render our potential entry a uniquely pro-competitive desideratum. Thus it is postulated that if we were to open a bank in Greeley we could somehow use our deposits in Denver to

increase our market share in Greeley more rapidly than could any of the other potential entrants and more quickly take away a large share of the deposits held by the other banks in the market and therefore become an important factor in banking in Greeley quicker than anyone else.[18] The proposition that larger deposits in market A will aid an organization to develop market B has a plausible ring to it. How does the rhetoric comport with the experience of Bancorporation's peers in Colorado, indeed in Greeley?

a. United Banks of Colorado has a larger deposit base than does Bancorporation (Moody's Bank & Finance Manual, 1971). Four of its acquisitions are more than 5 years old (DX 3). In *Boulder* it acquired Mercantile Bank and Trust Company in 1966 (DX 3). At year-end 1965, that bank had 20.1% of commercial bank deposits in the City of Boulder. Until the organization of ABC in 1970, there were no competing holding company affiliates. Nevertheless, United's share had dropped to 17.2% at year-end 1970 (DX 36). The Boulder National Bank, organized in 1964, rose over this same period from 0% to 8.2% (DX 36). In *Littleton,* United acquired the Arapahoe Valley Bank in 1964 (DX 3). That bank had been rapidly increasing its market share at the expense of Littleton National Bank for some years. The market share peaked in 1967 and has since slid off steadily (DX 37). Two new banks have been organized in the market in the interim (DX 37, American Bank Directory, Fall 1971 ed.). In *Aurora,* United acquired the second largest bank in 1964, the First Bank of Aurora, with a 1963 year-end market

[18] We seriously question whether preserving as a potential entrant a bank which (under Appellant's theory) can grow faster than another potential entrant serves any demonstrable competitive purpose.

share of 41.7% (DX 3, DX 38). By year-end 1970, its market share had dropped to 26.4%. It is now the third largest bank in the market behind a bank organized in 1963 (DX 38). A fourth bank has been organized in the market since that time (DX 38 and American Bank Directory, Fall 1971 ed.). In *Greeley* itself, despite the fact that FNB Greeley lost more than 5 points in market share between 1964 and 1970, United has been able to do no more than maintain the market share which its previously independent subsidiary, Weld County Bank, had held in the first half of the 1960's (DX 3, DX 39), although that bank had increased its market share at FNB Greeley's expense—by 5 points—between 1950 and 1960. (DX 39). It remained for Greeley National, then unaffiliated with a holding company, to take unto itself and its affiliates the entire share (1964-1970) which had slipped away from FNB Greeley.

b. The experience of Western Bancorporation—16 times the size of Bancorporation (Moody's Bank & Finance Manual, 1971)—is similar. In *Englewood,* it acquired the Continental National Bank of Englewood in 1956. Continental had been the largest of the two banks in the market with 64% of deposits. A third bank was established in 1965 and is prospering. Continental's market share has dropped to 59%. In *Fort Collins,* Western had acquired First National with 51.1% of city deposits in 1957 (DX 2-3). This market share held through 1970 (51.8%) while two new banks entered the market (DX 2). In *Denver,* the market share of Western's American National Bank rose .4% while 17 new banks were organized (DX 2-3).

Thus the market experience of Bancorporation's larger competitors in Colorado may be summarized as follows: of these 7 markets, the market share of the acquired bank dropped perceptibly in 3 (Boulder, Aurora and Englewood),

rose perceptibly in one (Littleton), and changed only by a fraction of a point in three (Greeley, Fort Collins and Denver). During the period in which those banks were controlled by these holding companies, 24 new banks were organized in their markets.

This experience of larger banking organizations in the same state, even in the same market, is not compatible with a conclusion that Bancorporation's acquisition of FNB Greeley would discourage new entrants or somehow preserve FNB Greeley's market share by force of Bancorporation's size; or that a *de novo* entry by a Bancorporation subsidiary (assuming agency approval could be obtained) would involve growth disproportionate to that obtainable by others.[19]

The Regional Administrator of National Banks testified that he would not, in the foreseeable future, charter an additional bank in downtown Greeley (Tr. 829-830). Is this compatible with a highly overconcentrated market? The State Banking Board twice in 1970 (DX 42-43) denied new charters in Boulder, a city twice the size of Greeley with the same number of banks. Is its conclusion that Boulder was already adequately banked[20] compatible with

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[19] Bancorporation intends to reverse the historic slide of FNB Greeley's market shares (DX 39), but to do so by improving the quality of the management, by more and better services, by more aggressive solicitations and the like (Tr. 729, 732-741). We apprehend, however, Appellants' thesis to cover market shares obtained or preserved on account of size alone. That thesis is certainly at odds with the market experience encountered by the older holding companies in the state.

[20] "The Boulder community presently appears to be well served by existing financial institutions. . . .

"It could be argued that additional banks, conveniently located, will further the interests of the depositing public. A bank situated on every block would, no doubt, be desirable from the standpoint

a conclusion that Greeley is a highly concentrated market? In any case, since only these two agencies could approve a new charter, it seems beyond dispute that, for the foreseeable future, *there are no potential entrants into commercial banking in Greeley.* To characterize one as a potential entrant requires both *intent*[21] and *capacity.* Bancorporation has plainly shown that it has no such intent. Colorado National, which has applied for a charter in the outskirts of Greeley, equally plainly does have such intent. But the evidence as to the likelihood of agency approval establishes beyond reasonable doubt that neither organization has the *capacity* to establish a new bank.

To sum up on potential competition:

(1) Bancorporation has no intention of entering the Greeley market other than by this affiliation. This flat assertion is uncontradicted and comports with the "objective" facts associated with the area, i.e., relative attractiveness of Greeley as a banking market.

(2) Bancorporation could not secure a charter even if it sought one. The regulatory agencies would not permit it.

(3) Greeley is not a "highly concentrated" market as that term is comprehended by the Clayton Act. The

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of some depositors and prospective customers. On the other hand, we do not feel that such a chartering procedure would be in keeping with the trust imposed upon this Board by the Colorado General Assembly." Order denying the application for charter of Boulder Valley Bank. Colorado State Banking Board, 2/3/70, DX 42, pp. 6, 7.

[21] "The existence of an aggressive, well equipped and well financed corporation . . . *waiting anxiously to enter* an oligopolistic market would be a substantial incentive to competition which cannot be underestimated." *United States* v. *Penn Olin Chemical Co.*, 378 U.S. 158, 174 (1964). (Emphasis added.)

number of banking organizations serving Greeley represents a high national norm which, in the absence of evidence to the contrary, must be concluded to relate to the economies of scale attendant upon that industry.

(4) More than 50 entrepreneurial groups in Colorado have formed new banking organizations in the last decade; the capital and technical requirements for a new charter are so modest that the withdrawal of a particular *(arguendo)* potential entrant, of whatever size, would have no discernible impact on this widespread pool of remaining putative applicants.

Appellant bore the affirmative burden of establishing each of these propositions. The absence of *any* of them is fatal to his case. We submit that the only evidence submitted on any of them went to the negative of the proposition. Appellant's case failed for want of evidence on *every* key proposition. Rhetoric is not an acceptable substitute.

Competition In The Market Served By The Acquired Firm Must, In Reasonable Probability, Be Substantially Adversely Affected

In *Philadelphia, supra,* 374 U.S. at 371, this Court stated that an otherwise *unlawful* merger "is not saved because, on some ultimate reckoning of social or economic debits and credits, it may be deemed beneficial." Such are the rags and patches from which this suit is stitched that appellant feels compelled to contend that even if there are pro-*competitive* effects of this affiliation in the affected market, they are to be wholly disregarded if any anticompetitive effects can be found in determining *lawfulness.*

(See e.g., Plaintiff's Supplemental Brief in the District Court, pp. 2-3, 11.) Under those ground rules, if the final score after the evidence was in was Defendants 35, Justice 7, then Justice would win. Although we do not concede the 7 points, we conceive the argument to be a perversion of the statute. There are important pro-competitive effects of this proposed affiliation. We believe that any court would be remiss in its statutory responsibilities to ignore them.

FNB Greeley has had a steadily declining share of Greeley deposits for the last 20 years. Its 49.8% share in 1950 dropped to 32.6% in 1970 (DX 39) (and still lower to 31.9% in mid-1971[22])—a consistent trend both before and after the holding company affiliations of its primary competitors. This inability to compete effectively was broadly attributed by the Regional Administrator of National Banks to persistent management deficiencies (Tr. 825, 741, 990). Further, the application had noted a heavy emphasis on agricultural lending, with a corresponding weakness in consumer and real estate financing in the FNB Greeley loan portfolio (DX 19). Bancorporation has pledged to supply competent personnel to fill the management gap; to supply technical personnel in consumer and mortgage financing, and to supply one million dollars in additional capital for an agricultural cooperative (DX 19; Tr. 735-737). This last would free seven million in FNB Greeley loanable funds for the consumer and mortgage fields while maintaining FNB Greeley's agricultural commitments (Tr. 735). There can be no question but that this would make FNB Greeley a more effective competitor. As the Chief Executive Officer of FNB Denver (principal operating subsidiary of Bancorporation) testified:

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[22] American Bank Directory, Fall, 1971 ed.

> If we can compete in Greeley with the United Banks of Colorado and the A. B. C. group, there will be competition; I'll guarantee you there will be a hell of a lot of it that is not there now, and has not been there in the past. (DX 69.)

These are pro-competitive effects of the proposed affiliation. They are not lost by showing that there are others who would do as much (although Appellant has not even done this), for if we assume that there are other interested banking organizations or groups of entrepreneurs which could similarly supply the management, the knowhow and the capital to turn FNB Greeley around, then *a fortiori*, we assume that they could acquire or organize and staff a much smaller bank. Their interest, if any, in the market as a focus for *de novo* entry should logically be unimpaired. If a larger organization than Bancorporation (United) and the strengthening of the dominant organization in the market (through ABC) did not chill the interest of this group, why should we?

Appellant suggested to the Court below that one anticompetitive effect of the proposed affiliation would be an increased potential for sophisticated anticompetitive conduct in Greeley and in other markets in Colorado upon the part of "statewide" organizations to the detriment of competitive vigor in those markets (Jurisdictional Statement, p. 17).

The burden of establishing this proposition was Appellant's. As the District Court pointed out, there was no "cogent evidence *which even suggests* that there is likely to be a lessening of competition." (329 F. Supp. 1003, 1016.) (Emphasis added.) We note initially that Bancorporation is not a "statewide" institution. At the time of trial its only banking offices were in Denver.

As Bancorporation was jumped on its first proposed acquisition, it would seem that this attack might more properly be raised against United Banks, Western or ABC which already exercise a significant influence in numerous markets. Appellant's *sole* documentation of its thesis was a memorandum (PX 183) from the Business Development Department of FNB Denver written to recommend what policies it ought to take in response to an innovative service charge program instituted by the Colorado National Bank. The memorandum recommended that FNB Denver ought to *beat* the rate schedule of Colorado National but warned against too radical a difference. "The theory behind this was to keep from undercutting the Colorado National to such a point that we would start a service charge war which could end in giving away all checking accounts. This is also a simple formula to explain and advertise." We do not think that this statement reflects anything more than the rational business judgment of a vigorous competitor. Had it been the final word of FNB Denver on the subject, we would argue that it reflected a healthy competitive milieu. But it is not. The executive committee of the bank rejected the proposed rates. They chose to adopt even lower, more aggressive schedules (Tr. 868-9).

Appellee did not rest, however, with the negative of the proposition. Our experience in the state suggested to us that not only was Appellant's proposition without substance, but that the converse was true. We believe that FNB Denver was an aggressive bank in a tough banking market, while competition in the smaller outlying cities of the state left much to be desired. We set out to prove that proposition.

We reasoned that any organization making an acquisition in a new market could hardly be found substantially

to lessen competition in a not very competitive market; and that a vigorous competitor might be given the benefit of an assumption that its policies would have continuity and not be abandoned in the first new market it reached. Dr. Nevins Baxter, a leading banking economist, was asked to survey the business practices of banks in cities throughout the State of Colorado. Dr. Baxter and his staff interviewed hundreds of bank customers throughout the State as well as the management of a number of banks in both Denver, Greeley and other communities in Colorado (Tr. 955, *et seq.*). They found significant differences in competitive conduct. Denver was an actively competitive market (Tr. 1000-01); FNB Denver was an aggressive bank; FNB Greeley was not (see Tr. 990). Whereas Denver is an actively competitive market (Tr. 1000), generally there is little active banking competition in smaller Colorado communities (Tr. 997, *et seq.*). The Regional Administrator of National Banks testified to the same effect (Tr. 831, 832).

If we concede that non-competitive conduct on the part of the holding companies would have a more pervasive effect if they occupied a more prominent role in Colorado banking, must we not equally concede that vigorous competition on their part would have a more general effect if they occupied a more prominent role in Colorado, as well? And if the evidence adduced in this case clearly supports the latter conclusion of fact, ought we not opt for expansion of the holding companies?

Expressed in its simplest terms, Appellant argues that Bancorporation and its competitors ought not be permitted to take over the banks in Smalltown, Colorado because if they conspired not to compete in Denver the effect would

spill out over to Smalltown automatically. But if there is now no competition in Smalltown and there is in Denver, ought not that takeover spill over the healthy competition of Denver into Smalltown, equally automatically? In an imperfect market (Colorado), competition is best served by the holding companies. If competition is our goal, how do we sustain it by suppressing holding company growth?

Further, Appellant asserts that the net effect of permitting Bancorporation to acquire FNB Greeley would be to increase statewide concentration[23] and, as everyone knows, that is bad. Or is it? Statewide concentration levels are at their lowest in states which permit little or no branching—averaging but 37% in the five largest organizations (DX 32). It is highest in those states permitting statewide branching—85% in the five largest (DX 32). On the thesis advanced at the beginning of this paragraph, the highly restricted branching states ought to have the more competitive environment. By one objective test, however, the converse is true. As this Court has observed, banking markets are essentially local. *United States* v. *Phillipsburg National Bank and Trust Co.*, 399 U.S. 350, 362 (1970). How do "highly concentrated" states compare with "low concentration" states in the number of competitive options available per market? *All* cities in the two groups of states in size categories 5-10,000; 10-15,000; 15-30,000 and 30-50,000[24] were tested for numbers of competitive options.

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[23] There was absolutely no evidence introduced to support the proposition that the State of Colorado was a relevant market in which to assess the vigor of potential competition. We deny that the State is such a market but shall, nevertheless, refer to the fictional statewide concentration levels as postulated by the Appellant.

[24] Towns which are smaller than 5,000 tend to be natural monopolies; towns larger than 50,000 tend to encompass more than one market.

The universe encompassed more than 1,500 cities. They showed the following:

	Average Number of Banking Organizations Per City			
	5-10,000	10-15,000	15-30,000	30-50,000
(1) States with Unlimited Branching	2.21	2.90	3.46	3.83
(2) States permitting no branches or branches only in headquarters county or less	1.91	2.26	2.63	3.12
Percentages by which (1) exceeds (2)	15.7%	28.3%	31.6%	22.8%

(DX 34).

Plainly, the number of competitive options in local markets is significantly greater in the "high concentration" states and justifies the conclusion that the higher the state (i.e., non-market) "concentration" the greater the competitive options. We do not leap on this fact and conclude triumphantly that an increase in statewide "concentration" in Colorado is *therefore* a competitive desideratum of the highest order, but we do suggest that it is at least a valid datum on Appellant's *ipse dixit* that increases in statewide "concentration" establish substantial lessening of competition in particular markets.

Appellant's Vertical Case

ommercial banks perform a number of services for nselves and for their customers. These services include a processing, purchase and sale of municipal bonds, ek clearing, credit cards, Federal Funds, pension and fit sharing plans, and commercial loans (pp. 889-900). ne of the customers who purchase these services are er commercial banks who buy such services on behalf their customers (or in the case of Federal Funds, themselves). Appellant amended its complaint in action to charge—for the first time in ten years of k acquisition litigation—that the acquisition of FNB eley would, in reasonable probability, substantially en competition in banking in Colorado, in that:

h) This acquisition, combined with the trend of acquisitions by leading banking organizations in Colorado of independent banks with substantial positions in markets throughout many parts of the state, will substantially reduce existing competition in providing correspondent banking services in Colorado, increase barriers to new entry into correspondent banking services in Colorado, and effectively foreclose the remaining independent banks in many markets from access to correspondent banking services in Colorado.[25]

ppellant contended that in a line of commerce limited a "package" of correspondent services offered by six merated Denver banks,[26] as measured by gross demand

[25] Added to the complaint herein on January 15, 1971.

[26] FNB Denver, United Bank of Denver, Colorado National k, Central Bank and Trust Company, American National Bank Security National Bank.

deposit accounts maintained in those six banks by that portion of their commercial bank customers who have their headquarters in Colorado (and excluding from such bank customers those which are subsidiary to holding companies which contain one of the "Denver Six", or as to which applications were pending to become subsidiaries), competition would be substantially lessened (a) between the acquired bank and its competitors who would be unduly limited in their choice of offerors of correspondent services (backward vertical integration) and (b) between the Denver offerors of correspondent services who were acquiring customers and the other Denver offerors who were not (forward vertical integration).

Backward vertical integration was abandoned almost as it was announced when Appellant was apprised of the flat inconsistency of its arguments. Under Appellant's premise of resultant foreclosure—which we deny—Greeley banks seeking alternative Denver correspondents would be foreclosed *identically* under either acquisition or *de novo* entry (which Appellant actively urges).

The Federal Reserve Board spoke persuasively to this and other of Appellant's vertical integration arguments in its approval of the proposed affiliation of the Exchange National Bank of Colorado Springs with Bancorporation (abandoned, after suit):

> The Board has considered a comment by the Department of Justice, which concludes that the proposed acquisition would have a significantly adverse effect on competition on the grounds, among others, that consummation of the acquisition might eliminate a source of correspondent services for unaffiliated Colorado Springs banks. . . .

As regards the possible loss of correspondent services, the argument appears to be premised on the theory that the affiliation of a Denver bank with a Colorado Springs bank will reduce the number of correspondents for the other banks in Colorado Springs, in part because these banks would be unwilling to entrust confidential or business data to an affiliate of a competitor. However, correspondent services vary in character and importance, and the majority could be equally well performed by banks outside the areas in which the Justice Department alleges anticompetitive effects. Banks in Colorado Springs and in the State have more "upstream correspondents" outside than within the State. Portfolio and management advice, loan participations, and miscellaneous specialized services could be furnished by these out-of-State correspondents. Check processing may be done by banks with computer facilities, at service bureaus or at the Federal Reserve in Denver; no confidential information is involved which might preclude a bank from seeking the services of an affiliate of a competitor.

Moreover, the argument relies, in part, at least, on the premise that Applicant's Denver subsidiary, a leading correspondent bank in the State, would be less desirable or less available as a correspondent for banks in the Colorado Springs area if it had an affiliate in that area. A difficulty with the argument is that it would appear applicable, if valid in any case, to any proposal through which the Denver bank would obtain a Colorado Springs affiliate, without particular regard to the size or market position of such affiliate. More broadly applied, it argues against permitting a large correspondent bank to become a subsidiary of a holding company, or in any other way expand into markets in which are located banks for which it serves, or could serve, as correspondent. The Board is not aware of any evidentiary basis for the premise on which the argument is based, and, in the absence of

> a demonstration that such expansion in fact, rather than in theory, leads to a curtailment in the availability of essential correspondent services, is unwilling to adopt that conclusion as a principal basis for curtailing expansion which is likely to result in better service to the communities affected.[27]

The forward vertical integration aspect of Appellant's novel claim suffers from several major debilities.

Appellant contends that, taken together with the previous acquisitions (by others), the acquisition of FNB Greeley in reasonable probability would substantially lessen competition, presumably by reducing the pool of potential recipients of correspondent services offered by Bancorporation's competitors to an unacceptable level—the "drying up" argument. Appellee has no quarrel with this theory, but, apparently, Appellant refuses to be a prisoner of anyone's logic, even his own. While this suit was under active contemplation or subsequent to its filing, Appellant has permitted (or has indicated that it will permit) the acquisition of six other banks by United Banks of Colorado and Colorado CNB Bankshares, two holding companies whose prior acquisitions allegedly, in material part, formed the predicate for a violation in our initial acquisition.[28]

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[27] Statement of Board of Governors of the Federal Reserve System, In the Matter of the Application of The First National Bancorporation, Inc. (The Exchange National Bank of Colorado Springs), 1971 Fed. Res. Bull. 345, 348; see also, Defendants' Trial Brief in the Court below, p. 60.

[28] Lakewood Colorado National Bank (by Colorado CNB Bankshares, 11/1/69); Villa National Bank (by United Banks of Colorado, 4/8/70); Mesa National Bank (by United, 12/21/70); Bank of Glenwood (by Colorado National, 4/7/71); First National Bank of Sterling (by Colorado CNB, pending); Colorado Commercial Bank (by United, pending).

These six banks had year end 1970 combined deposits of $56 million (DX 2). Appellant justifies his choice by observing that these banks are *smaller* than FNB Greeley and therefore their acquisition is not as damaging as FNB Greeley's would be. Like most of the *ipse dixits* upon which this case is predicated, no proof is offered on a premise which offends simple reason. If a bank needs to turn to another for services, it is because it cannot economically perform them itself. The larger the bank, the smaller the need. If the loss of the business of FNB Greeley would substantially lessen competition among offerors of correspondent services, then, *a fortiori,* the loss of the business of the six banks whose acquisition Appellant has approved similarly would substantially lessen competition to an even greater degree.

Statistical Case

Appellant claims that FNB Greeley's acquisition would remove from the pool of potential Colorado recipients of correspondent services offered by the six enumerated banks a recipient (FNB Greeley) accounting for 1.2% of such services (Jurisdictional Statement, p. 24). This percentage was arrived at by doing extreme violence both to the numerator and to the denominator.

To limit our inquiry to six enumerated Denver banks (the denominator) we must conclude that "correspondent services" are sold in "packages" (yet, each Colorado bank has an average of 5.4 correspondents (DX 1, DX 16).[29] We

[29] This figure understates actual correspondent relationships. Habitually, banks do not report all of their correspondents (Tr. 1285). See also the Federal Reserve Board's comments on Appellant's vertical arguments cited above (pp. 31-35). This conclusion of the bank supervisory agency as to the diverse sources of service to which banks can and do turn is incompatible with a claim of "packaged" banking.

must also conclude that other offerors of "correspondent services" are in some way artificially inhibited in their ability to compete against the six enumerated Denver banks for each of the "packaged services" (yet, the evidence showed that 15 organizations sold data processing services to banks in Colorado (Tr. 898-99); that the market for Federal Funds is a national one, with locational advantages in west coast banks, and with California and New York taking the bulk of the business (Tr. 894-95); that municipal bonds are sold by brokerage houses to banks throughout the country (Tr. 895-896); that the market for credit card sales and service is a national one (Tr. 897), as are those for the sale of pension and profit plans and the purchase of overline loans (Tr. 890, 897-98); that the largest single offeror of check clearing services is the Federal Reserve Bank (Tr. 891)).

To further limit the denominator by excluding non-Colorado banks served by the "Denver Six" is to ignore that FNB Denver and its local competitors receive 35-40% of their correspondent balances from banks outside Colorado (PX 203); that more than half their correspondent accounts come from outside the state of Colorado (DX 16); and that they regula· , travel a territory including Colorado, Kansas, Nebraska, Wyoming, New Mexico, and part of Montana, Idaho and Texas (Tr. 1063). Appellant excludes from his denominator any Colorado bank which is an affiliate of one of the "Denver Six". Although we assume that Appellant's theory was that such affiliations are already beyond competitive reach, they are, nonetheless, part of the universe of banks in the market asserted and must logically be part of our base. The assumption, moreover, however central to Appellant's underlying

thesis, is erroneous. FNB Denver is a principal supplier of correspondent services to banks in Colorado which are subsidiaries of other holding companies having a subsidiary among the "Denver Six" (e.g., Western Bancorporation and First Colorado Bankshares) (Tr. 875-80). FNB Greeley, now three years after the agreement to affiliate, still uses three of the "Denver Six" among its principal correspondents (PX 29).

Moreover, the statistics are hopelessly compromised by the measuring rod—gross demand deposit accounts maintained by one bank at another. Most correspondent services, e.g., data processing, purchase and sale of municipal bonds, credit cards, Federal Funds, commercial loans, and pension and profit sharing plans are paid for by fee or cash percentages on gross prices (Tr. 899-901). The only significant service which is traditionally (though by no means exclusively, Tr. 906) paid for by deposit balances[20] is check clearing (*ibid*). Gross balances are not a proper measurement of even this type of correspondent service (Tr. 903, Tr. 1064), as is apparent from the FNB Greeley account. (See DX 65, Tr. 907-909.) When bank A or the Federal Reserve Bank clears bank B's checks for it, bank B is given a credit for deposits which have not yet cleared through the bank of origin. This is called "float", and of course reflects no income to the clearing bank (Tr. 908). If bank B maintains a $1.1 million demand deposit account with bank A (or taps its resources with the Federal Reserve Bank), only the difference between "float" and gross

[20] The balance is only a beginning figure. A monthly analysis of account profitability is run, and if the account is not profitable, a bill is sent quarterly. A bank running consistently at a loss may increase its balances or continue paying in cash—FNB Denver is indifferent (Tr. 899-901).

balances represents usable balances for bank A against which it can charge its processing costs and earn its profit. Thus FNB Greeley had an average balance of $1.1 million at FNB Denver in 1970, but had an average float of $800,000 (DX 15). It is only against the net balances ($300 thousand) that FNB Denver could charge its costs and measure its profits (Tr. 908). Thus, it is only with respect to *net* balances or to profits that we can measure that portion of the "Denver Six" business which would be "usurped" *(arguendo)* by the affiliation. Since we have no statistics in this record from which we can measure net balances, we are left to measure the impact of the proposal on net profits of the "Denver Six." Account analysis of the FNB Greeley account with FNB Denver in 1970 showed a net operating profit of $5,000 (or $2,500 after taxes) (DX 65, Tr. 907). Net income of Bancorporation after taxes was $5.4 million (Moody's Bank & Finance Manual, 1971). Thus the contribution of the FNB Greeley account to the profitability of Bancorporation was five one-hundredths of one percent. The profit "foreclosure" among the "Denver Six" was less than one-one-hundredths of one percent.[51]

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[51] 1970 net income and deposits (in Colorado) of the "Denver Six" were as follows:

Holding Company	Net Income	Deposits (000)
FN Bancorporation	$ 5,411,800	$589,633
United Banks	5,532,621	645,370
Colorado National	2,465,393	315,040
Western Bancorporation*	72,846,636	221,547
First Colorado Bankshares	1,143,272	146,926

(Moody's Bank & Finance Manual, 1971, DX 3).

* To find that portion of Western's earnings allocable to Colorado we assumed that it earned, relative to its Colorado competitors, in the same proportion that it had a deposit base in Colorado. This gave us a figure of $1,883,796 or total "Denver Six" Colorado earnings of $16,436,882.

Competitive Impact

That the competitive effect of this proposed affiliation upon the offerors of correspondent services—even in Appellant's absurdly truncated geographic and product markets—would be *de minimis* is demonstrable in a number of ways:

(1) it would foreclose (*arguendo*) less than one-one hundredth of one percent of the earnings of the affected institutions;

(2) FNB Denver has 1,452 employees, its correspondent business occupies part of the energies of 15 of them (Tr. 888).

In addition, despite the alleged foreclosure, three new offerors of correspondent services have entered the lists since this affiliation was announced (First Colorado, Tr. 550, DX 3; ABC, Tr. 497; and a new holding company in organization, Tr. of hearing on Aug. 9, 1971, p. 26).

Finally, there has been no "drying up" of customers. To the contrary, in 1961, there were 159 potential bank customers for correspondent services in Colorado, with combined deposits of $1.1 billion. At year end 1970, there were 211, with combined deposits of $2.[illegible] billion (Tr. 1056, DX 28, DX 29).

The relevant "line of commerce" or "product market" is, in any case, "large bank services", not the *way* in which they are obtained. Correspondent banking is a method of securing the services of big city banks in smaller communities (Tr. 1045). As a method, it competes with the methods of disseminating those same services entailed in branching

or membership in holding companies. A majority of the small banks in the State of Colorado have successfully banded together to bar the creation of branching systems in the State. We must be careful to avoid the same result with holding companies.

Correspondent banking is, to the big city bank, a money making tool, as is branching and structuring holding companies. Their push in any of these directions must arise from their conclusion that one is a more effective, efficient, i.e., profitable method of disseminating their services. We submit that the various methods of offering large bank services to smaller communities should be permitted to compete freely—the more effective methodologies receiving the dominant share—the core of competition. Appellant's fears that the permanency of holding companies and branching relationships would drive out the correspondent relationships may be translated from the vertical case alleged to a typical horizontal concentration argument, to which portion of this memorandum the Court is respectfully referred.

CONCLUSION

Appellant's case is a simple one. The facts are not disputed. FNB Denver is one of the larger banks in Colorado. It had no offices outside the immediate Denver area. FNB Greeley, the 1,385th largest bank in the United States, is the second largest bank in Greeley. Appellant contends that the affiliation of FNB Greeley and FNB Denver would, therefore, in reasonable probability substantially lessen competition in Greeley.

The number of banking organizations in Colorado has been increasing sharply over the last ten years. The share

of state deposits controlled by the 5 largest banking organizations has decreased. The parties are in agreement that a limited number of banks per community is a natural structure for banking. Greeley has more or as many banking organizations as 91% of communities in the United States which are of similar size. There is then no demonstrated need for additional entrants. But if no more entrants are needed, then the disappearance of a potential entrant, even if it were the only one, could not be a substantially anticompetitive event. There are, in Colorado, some 54 groups of entrepreneurs distinct from the larger holding companies who have organized new banks in the past 10 years. The resources and the technical personnel associated with the organization of a new bank or the acquisition of a very small bank in Greeley are on an order of magnitude associated with the organization of the previously stated 54 banks. There is thus no *need* to have Bancorporation among this broad base of potential entrants. Potentiality, further, implies capacity, and the evidence was persuasive that the regulatory agencies would not let further banking organizations into Greeley in the foreseeable future.

Even if the concentration of state deposits in the hands of the largest banking organizations was up instead of—as it is—down, the relevant consideration is competition in banking markets, which are local. National patterns show a marked advantage in the number of competitive options in the states with the highest statewide concentration over those with the lowest statewide concentration.

Moving from the abstract to the concrete, FNB Greeley has been a largely ineffective bank with a sharply declining share of Greeley deposits, a weak management and an over-

emphasis on a single class of customers. Bancorporation has offered a concrete program to reverse this trend and the evidence shows that its principal subsidiary is itself a hard competitor. If the evidence shows anything as to Greeley, it shows a prospect of *increased* competition resulting from the affiliation.

If this Court is inclined to construe potential competition in banking within the ground rules previously laid down, then Appellee respectfully suggests that the undisputed facts here fall so far within those boundaries that no further time ought be expended on this case. Even if the Court should be inclined to explore new frontiers of the law, we believe that the wholly negative contours of this case are entirely inappropriate to that purpose. For these reasons we respectfully urge the Court to grant this motion and affirm the judgment of the Court below.

Respectfully submitted,

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APPENDIX

APPENDIX A

Federal Reserve Board Merger and Acquisition Denial Record Compared With Non-Bank Merger Enforcement Record, 1960-1970

	Non-Bank Mergers and Acquisitions			Federal Reserve Board Action on Bank Merger and Bank Holding Company Acquisitions and Formations		
Year	No.[1] Recorded	No. Complaints[2] Filed	% Challenged	Actions[3]	Denials	% Denied
1960	1238	24	1.9%	34	4	11.8%
1961	1578	17	1.1%	51	8	15.7%
1962	1454	10	0.7%	68	10	14.7%
1963	1320	14	1.1%	45	7	15.6%
1964	1651	15	0.9%	29	3	10.3%
1965	1728	22	1.3%	40	3	7.5%
1966	1582	22	1.4%	47	5	10.6%
1967	2232	14	0.6%	44	5	11.4%
1968	3723	15	0.4%	59	3	5.1%
1969	4268	32	0.7%	114	7	6.1%
1970	2614	17	0.7%	184	11	6.0%
Total	23388	202	0.9%	715	66	9.2%

[1] "Current Trends in Merger Activity, 1970", F.T.C., less number of applications approved by Federal Reserve Board, The Comptroller and F.D.I.C. under 12 U.S.C. 1828(c) and 12 U.S.C. 1842(a)(3), as reported in "Proceedings of a Conference on Bank Structure and Competition" (Federal Reserve Bank of Chicago, 1970) and 1970 annual reports of the three federal banking agencies.

[2] F.T.C. and Department of Justice Section 7 complaints filed, as reported by F.T.C. Office of Management and Legal Procedures Unit of the Antitrust Division for each fiscal year shown; less bank merger and bank holding company acquisition complaints in each calendar year shown, as reported in CCH Trade Regulation (Current and Transfer Binder) Reports.

[3] Approvals and denials by Federal Reserve Board under 12 U.S.C. 1828(c) and 12 U.S.C. 1842(a)(3). Source: See n. 1.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-703

MOTION FILED

APR 21 1972

UNITED STATES OF AMERICA,
Appellant,

v.

FIRST NATIONAL BANCORPORATION, INC. and
THE FIRST NATIONAL BANK OF GREELEY,
Appellees.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

MOTION OF THE NEW YORK STATE BANKING DEPARTMENT FOR LEAVE TO FILE BRIEF *AMICUS CURIAE*

Supreme Court, U.S.
FILED
MAY 22 1972
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The New York State Banking Department respectfully moves, pursuant to Rule 42 of this Court's Rules, for leave to file the annexed brief *amicus curiae*. Counsel for the appellant has consented to the filing of the brief; counsel for the appellees has withheld such consent. Both letters have been filed with the Clerk of the Court.

The New York State Banking Department is the agency of the State of New York charged by law with regulating New York State banks and passing upon bank acquisitions and mergers by bank holding companies in New York State. In so doing, the Banking Department has for many years relied heavily upon and applied the doctrine of potential competition which is at issue herein.

We believe that our experience in the application of standards of potential competition, as evidenced by the specific cases described in our brief, is deep and broad. We also believe that what has occurred in New York is relevant to potential competition questions faced in many other states, even those with a different banking structure than ours, and that the decision in this case will affect such states as well as New York. Finally, we would suggest that the Banking Department's accumulated experience provides a significant factual pattern that can assist the Court in resolving the legal issues presented in this case.

Respectfully submitted,

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IN THE

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The Superintendent of Banks of the State of New York, purportedly acting on behalf of the New York State Banking Department,[1] seeks leave of this Court to intervene as *amicus curiae* in support of the position of the Appellant. The asserted basis of intervention is Mr. Dentzer's interest in preserving a competitive banking structure in the state among

[1] Appellee is advised that the Superintendent, Mr. Dentzer, did not seek the concurrence of the New York State Banking Board in filing the motion, nor was the consent of the state's Attorney General to such filing obtained.

those banks subject to his supervision, and the utility to that end of the preservation of "potential competition" (see *e.g.*, Brief as Amicus, p. 5).

But whatever parameters this Court places upon the theory of potential competition under section 7 of the Clayton Act, as that statute is applied generally or, specifically, to banking, Mr. Dentzer will in no way be inhibited in his application of the completely distinct statutory scheme which the State of New York has adopted as appropriate to the regulation of proposed bank affiliations.[2] Mr. Dentzer's approval of a proposed affiliation under those regulations is an essential predicate to even the possibility of an inquiry under the Clayton Act with respect to banks subject to his supervision. If it is his belief that the public interest in New York requires the application of strict criteria relative to potential competition, he requires no support from the Courts under the Clayton Act in order to implement that policy. His interests, therefore, could not be adversely affected by any action which this Court might take in the present case, thus his appearance as amicus without consent of both parties is therefore inappropriate. *Northern Securities Co. v. United States*, 191 U.S. 555, 556 (1903). See also, *United States v. Winkler-Koch Engineering Co.*, 209 F.2d 758 (C.C.P.A. 1953). Cf., *Strasser v. Doorley*, 432 F.2d 567, 569 (1st Cir. 1970), *Cory Corp. v. Sauber*, 267 F.2d 802 (7th Cir. 1959).

Indeed, Mr. Dentzer's application serves to raise doubt as to any necessity for a broadly based, Court-administered potential competition standard in the regulated industry of banking, as well as to underscore the limited utility of such a standard in that industry. There are fifty "Mr. Dentzers" in the United States, as well as three Federal regulatory agencies, passing upon entry into and affiliations within banking. Mr. Dentzer not only has authority to deny affiliations on grounds broader than the Clayton Act, he can also deny *de novo* entry under standards which are similarly broad.

---

[2]See Articles III, III-A, and XIII of the New York Banking Law.

Administrative control of entry is a fact which has a direct and critical bearing upon the nature and extent of potential competition in this industry. It is possible for Mr. Dentzer, at the same time that he denies an application involving a proposed affiliation, to offer assurance that alternative methods of entry in the market involved are available under the chartering and branch approval authority of his office. A Court, however, having no direct authority to remove regulatory barriers on alternative avenues of entry, ought properly be more inhibited in foreclosing that method of entry which regulatory authorities have found appropriate. The facts of this case suggest that the "Mr. Dentzers" involved would reject an application for a *de novo* charter in the relevant market, while branching is not permitted in Colorado. Under those circumstances, there clearly does not exist the same potential for future competition as arises when a regulator with chartering authority denies a proposed affiliation based on a perceived need for additional entrants.

Mr. Dentzer concludes his motion: "Finally, we would suggest that the Banking Department's accumulated experience provides a significant *factual* pattern that can assist the Court in resolving the legal issues presented in this case." (Motion, p. 2) (Emphasis added.) But this assertion can only be tested by a detailed comparison of the *facts* in the seventeen selected cases cited by Mr. Dentzer with the *facts* in the present case and, of course, an opportunity to cross-examine on these "facts." An exhaustive inquiry was made at the trial into the facts associated with the Appellees' affiliation. No such inquiry has been made in this case as to any actual or proposed structuring of particular New York markets, and at this stage no such inquiry can be made. Such facts as are available suggest that the cases cited provide no useful precedent on the present appeal. For example:

1. Each of the seventeen cases cited in Mr. Dentzer's brief involved denial of affiliations by regulatory authorities, rather than reversals of such approvals by court action. In seven of the cases (numbers 3, 4, 5, 6, 12, 14, and 15), the disapproving agency was the Federal Reserve Board, the same agency which approved Appellees' affiliation.

2. At least three of the cases (numbers 7-9) appear on their face to have involved actual, rather than potential, competition.

3. Seven of the affiliations (numbers 3, 4, 5, 6, 12, 14, and 15) were denied by the Federal Reserve Board after *approval* by New York authorities.

4. The New York regulatory scheme (free branching, subject to "home office protection," within each of nine separate banking districts) differs markedly from that of Colorado (no branching permitted) and the types of banks involved (billion dollar organizations with numerous offices) are of an entirely different genre than the Appellees or other banking organizations in Colorado.

An appeal is not the occasion for injection of new and untested factual data into the record. One of the "steadying factors in appellate courts" is "a frozen record from below." [3] A long line of federal cases clearly establishes the principle that an appellate court may only consider facts of record. *United States v. Addonizio*, 449 F.2d 100, 103 (3rd Cir. 1971); *Duran v. United States*, 413 F.2d 596, 605 (9th Cir. 1969), cert. denied, 396 U.S. 917; *United States ex. rel. Collins v. Ashe*, 176 F.2d 606 (3rd Cir. 1949); *Stearns v. Hertz Corp.*, 326 F.2d 405, 408 (8th Cir. 1964), cert. denied, 377 U.S. 934; *Watson v. Rhode Island Ins. Co.*, 196 F.2d 254, 256 (5th Cir. 1952). This is so even if matters not before the trial court have been included in the record by stipulation. *Panaview Door and Window Co. v. Reynolds*, 255 F.2d 920 (9th Cir. 1958). *Heath v. Helmick*, 173 F.2d 156 (9th Cir. 1949). Even in the case of an affidavit and papers filed with this Court by a trial judge containing matters which were not in the record before him, this Court has stated (*McClellan v. Carland*, 217 U.S. 268, 283 (1910)):

---

[3] Llewellyn, *The Common Law Tradition–Deciding Appeals*, 28 (1960).

> "We shall not enter upon a consideration of these papers because they are not in the record, as the same has been certified to us from the circuit court of appeals as the one upon which it acted. . . .
>
> . . . We must take the case as it is presented here upon the stipulated return to the writ of certiorari on the record as presetned to the circuit court of appeals."

More recently in *Lawn v. United States*, 355 U.S. 339, 354 (1958), reh. denied, 355 U.S. 967, the Court granted a motion to strike a grand jury transcript proffered by the government and portions of the government's brief relating thereto, stating, "we must look only to the certified record in deciding questions presented." We think it is likewise clear that Appellant similarly may not indirectly, through the offices of an "amicus curiae," bring before the Court the materials contained in the brief of Mr. Dentzer.[4]

This raises an additional point. The Court's Rule 42(3) requires that a motion such as Applicant's "set forth facts or questions of law that have not been, or reasons for believing that they will not adequately be, presented by the parties. . . ." Mr. Dentzer's motion does not meet that requirement, and it is difficult to imagine that he could successfully contend that Appellant has not or will not represent any tangential interest which the New York State Banking Department might have. In fact, circumstances strongly suggest that Mr. Dentzer's motion may be the culmination of a cooperative effort between the Appellant and him to bring before the Court data which Appellant could not appropriately proffer. Mr. Dentzer's brief is essentially an updating of the assertions, arguments, and conclusions of a March, 1970 study by two staff members of the New York Banking Department. On various occasions[5] and through various

[4] See notes 5 and 6, *infra*.

[5] Among such occasions:

(a) On April 28, 1971, Counsel for Appellant purported to summarize, in a Pretrial Brief (pp. 17-18), the "facts" and conclusions of the study.

(continued)

methods—not, however, including an evidentiary offering which would have subjected the study to critical analysis, cross-examination and rebuttal—Appellant referred to, directed attention to, and made available to the Court below copies of the same study. It seems clear that, to the extent that Mr. Dentzer has a position which ought be represented in this matter, he has a resourceful, capable and sympathetic advocate in the Appellant.[6] Where the parties are represented by competent counsel, and consent has not been given, the

---

(b) After the close of the record below, on May 24, 1971, Appellant filed a Supplemental Brief and an Appendix thereto, in which counsel devoted four full pages (i-iv) to a detailed discussion of various facts and conclusions allegedly contained in the study.

(c) On May 26, 1971, counsel for Appellant addressed a letter to the presiding judge enclosing copies of excerpts from six publications. The letter closed with a reference to the study and indicated that a copy thereof had already been furnished to the Court. Counsel for Appellees, who was not previously advised as to the *ex parte* communication of the study, took exception in a letter dated June 15, 1971, which concluded:

> "If the United States Department of Justice is unable, or at least unwilling, to make disciplined responses to the instructions of the Court and the rules of evidence, Defendants ought to be allowed similar freedom and the orderly pursuit of justice will sink into aimless anarchy."

Both letters referred to are reprinted in the Appendix hereto.

[6]Circumstances suggest that Appellant may also have taken unusual measures in this Court to make possible Mr. Dentzer's filing. Initially, Mr. Dentzer attempted to lodge his *amicus* brief as of right on Friday, March 31, 1972, just one week before Appellant's time for filing its brief in chief on this appeal was to expire. Under Rule 42, the time for filing an *amicus* brief expires concurrently with the time for filing the brief in chief which it supports. Upon Appellees' objection, the Clerk of the Court properly refused to accept the brief for filing. On the following business day, April 3, 1972, Appellant applied for a 30 day extension of time within which to file its brief. Although Appellant, in requesting the extension, alleged difficulties with the record and scheduling with the *Falstaff* case, the grant of the extension had the "incidental" effect of permitting the Applicant additional time within which to move to re-file.

need of assistance in presenting the issues should not be assumed. *Northern Securities Co. v. United States*, 191 U.S. 555 (1903).

In summary, the granting of Applicant's motion would improperly introduce complex and untested factual material which, without adequate analysis, would be prejudicial to Appellees. Applicant has asserted no interest which warrants his appearance, and such general interest as he might be presumed to have is fully and adequately represented by counsel for Appellant. Under all these circumstances, the application should be denied.

Respectfully submitted,

Eugene J. Metzger

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APPENDIX A

May 26, 1971

WBC:CLW:HGS
60-111-900-155

Honorable William E. Doyle
United States Circuit Court
United States Courthouse
Denver, Colorado 80202

Re: United States v. First National *Bancorporation Inc. et al C-2413*

Dear Judge Doyle:

Included in the Appendix to the Plaintiff's Supplemental Brief filed on May 24, 1971 are various citations, including a number of Federal Reserve Bulletins.

It is our understanding that originals of these are on file at the Federal Reserve Bank in Denver and at the Denver Public Library. However, for the convenience of the Court we enclose herewith xerox copies of the following:

American Banker, February 24, 1971, pg. 2
1962 Federal Reserve Bulletin 567
1962 Federal Reserve Bulletin 978
1969 Federal Reserve Bulletin 738
Moody's Industrial Manual 1964, pg. 1402
Salley, "A Decade of Holding Company Regulation in Florida," Monthly Review, Federal Reserve Bank of Atlanta, July 1970

The Kohn and Carlo study on *Potential Competition:* Unfounded Faith or Pragmatic Foresight (1970) cited in the Appendix was also mentioned in our initial *Pre-Trial Brief* (pp. 17-18); we have already furnished the Court with a copy of that study.

Respectfully yours,

WALKER B. COMEGYS

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AREA CODE 202
347-1631

June 15, 1971

The Honorable William E. Doyle
United States District Judge
United States Court House
Denver, Colorado 80201

Re: *United States of America v. First National Bancorporation, Inc. and The First National Bank of Greeley*
Civil Action No. C-2413.

Dear Judge Doyle:

We are in receipt of a document entitled "Plaintiff's Post-Trial Reply Brief."

The document is misnamed. It is, in truth, "Plaintiff's Post Trial Brief, Part II, Vertical Arguments, Due May 24, Dated June 8, 1971."

Absent direction of the Court, we shall not comment on the content of the paper. It is out of time, a "Reply Brief" is unauthorized, the document constitutes Plaintiff's *first*, not second, commentary on its vertical theories, and, finally, it continues Plaintiff's distressing habit of referring to magazine articles, newspaper clippings and the like as if they were Revealed Doctrine for the delectation and direction of Court and counsel. If the United States Department of Justice is unable, or at least unwilling, to make disciplined responses to the instructions of the Court and the rules of evidence,

Defendants ought to be allowed similar freedom and the orderly pursuit of justice will sink into aimless anarchy.

Respectfully submitted,

Eugene J. Metzger

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cc: Herbert G. Schoepke, Esquire
Edward B. Close, Jr., Esquire

IN THE

Supreme Court of the United States

No. 71-703, 1971 Term

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ON APPEAL FROM THE UNITED STATES DISTRICT COURT
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BRIEF AS *AMICUS CURIAE* FOR THE NEW YORK STATE BANKING DEPARTMENT

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IN THE

Supreme Court of the United States

No. 71-703, 1971 Term

UNITED STATES OF AMERICA,

Appellant,

v.

FIRST NATIONAL BANCORPORATION, INC. and
THE FIRST NATIONAL BANK OF GREELEY,

Appellees.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

BRIEF AS *AMICUS CURIAE* FOR THE NEW YORK STATE BANKING DEPARTMENT

Interest of the New York State Banking Department

The New York State Banking Department is responsible for regulating state chartered banks and for passing upon bank holding company acquisitions and mergers in the State of New York.[1] As a bank regulator, the Department is charged under law with securing the broad public interest of having a solvent, efficient and competitive banking system in New York. The Department believes that vigor-

[1] See Articles III, III-A and XIII of the New York Banking Law.

ous competition among commercial banks is important in protecting the interest of the public.[2]

New York State has many of the largest banks in the United States, located primarily in New York City. While the expansion of these banks and their holding companies into other markets in the state has been authorized by the Banking Department when deemed pro-competitive, the Department at the same time has been concerned that a few of the largest such banking organizations not come to dominate banking throughout the state. To this end, the Department has sought to exercise careful supervision over the expansion by acquisition or merger of bank holding companies and of banks subject to its jurisdiction. In doing so, it has relied heavily on the potential competition standard which is at issue in this case.

As a state bank regulatory agency, the New York State Banking Department is not itself bound to enforce federal antitrust laws. On the other hand, as this Court has repeatedly recognized, the competitive principles of the antitrust laws represent an important ingredient in the broader public interest which this Department, like other regulatory agencies, is charged with enforcing.[3]

Moreover, the New York Banking Law (Sections 142 and 601-b) mandates that in determining whether to approve or deny a proposed merger or acquisition, consideration shall be given to whether it would ". . . result in a concentration of assets beyond limits consistent with effective competition . . ." or whether it ". . . may result in such a lessening of competition as to be injurious to the

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[2] See *United States* v. *Philadelphia National Bank*, 374 U.S. 321, 372 (1963).

[3] *United States* v. *Radio Corporation of America*, 358 U.S. 334, 351 (1959); *Denver & R.G.W.R. Co.* v. *United States*, 387 U.S. 485, 492-493 (1967); *Federal Maritime Commission* v. *Aktiebolaget Svenska Amerika Linien*, 390 U.S. 238, 243-246 (1968); See also *United States* v. *Third National Bank in Nashville*, 390 U.S. 171, 189 (1968).

nterest of the public or tend toward monopoly . . ." and ". . . primarily, the public interest and the needs and convenience thereof." The Department therefore has an nterest in the development and application of sound anti-rust principles which reflect the actual competitive and ther realities of commercial banking.

This Department submits this brief as a state agency xperienced in the field of bank regulation and in the pplication of the potential competition standard to bank cquisitions and mergers. The views expressed herein on otential competition reflect our actual experience and he results of empirical studies conducted by our economic taff. The Department's experience and studies are, we elieve, relevant to the disposition of this case.

Summary of Argument

This case raises before this Court the question of the pplicability of a potential competition standard in the anking industry. The standards defined here will have mportance far beyond the state of Colorado and the par-icular facts of this case.

The Court has dealt with the concept of potential com-etition in a number of merger decisions in other fields nder Section 7 of the Clayton Act.[4] This Court has made lear that preserving potential competition is important in he case of a market of few sellers, where actual competi-ion is necessarily limited. This point was stressed by this Court in *Penn-Olin*:[5]

[4] See *Federal Trade Commission* v. *Procter & Gamble Co.*, 386 U.S. 568 (1967); *United States* v. *Penn-Olin Chemical Co.*, 378 U.S. 158 (1964); *United States* v. *Continental Can Co.*, 378 U.S. 441, 464-465 (1964); and *United States* v. *El Paso Natural Gas Co.*, 376 U.S. 651 (1964).

[5] *United States* v. *Penn-Olin Chemical Co.*, 378 U.S. 158-174 (1964).

> "The existence of an aggressive, well equipped and well financed corporation engaged in the same or related lines of commerce waiting anxiously to enter an oligopolistic market would be a substantial incentive to competition which cannot be underestimated."

Accordingly, this Court has found that Section 7 of the Clayton Act proscribes acquisitions which eliminate significant potential competition to companies in concentrated markets. These Section 7 violations (except for *Penn-Olin*) have involved a potential competitor and a market leader in a concentrated market.

While the potential competition standard is well recognized among economic scholars, it can be a difficult concept to apply. This Court clearly recognized this reality in *Penn-Olin* when it said, "Potential competition cannot be put to a subjective test. It is not 'susceptible of a ready and precise answer'." (378 U.S. at 174).

Based on our experience with respect to commercial banking, however, we believe that potential competition is a workable concept and that it is appropriate to apply it to that field.

First, local commercial banking markets in New York and elsewhere often are characterized by a high degree of concentration, with consumers confined to a relatively small number of effective choices. For example, in all six of the standard metropolitan statistical areas in upstate New York, the four largest banks have over 75% of total commercial bank deposits; and in three of these areas such concentration exceeds 90%. In smaller communities effective choices are generally even more limited, and market concentration is often even higher.[6] Even in markets which are not quite as highly concentrated, actual competition is often limited by the lack of sufficient effective alternatives.

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[6] See *United States* v. *Phillipsburg National Bank*, 399 U.S. 350 (1970).

Secondly, apart from its relevance to local or adjacent arkets, potential competition is an important policy tool dealing with questions of competition on a statewide sis where the markets involved are distant from each ner. The threat is present in New York and many other ates that banking there could become dominated by a very v large organizations. This threat would materialize if e largest banking organizations in a state were per-tted to buy up, without restriction, the larger banks in al markets within the state. The end result would be at a handful of banking organizations would control the ding market positions in all the significant markets in e state.

The New York State Banking Department has sought to al with this potential danger during the past decade by ying heavily on the potential competition standard, cognized by this Court and economic scholars, to deal th proposed acquisitions by the state's leading banks of e larger banks in various local markets. The importance the potential competition criterion in this context was essed in 1970 by Frank Wille, then New York Superin-dent of Banks and now Chairman of the Federal Deposit surance Corporation:

> ". . . the potential competition standard may be the only criterion available to the bank regulatory agencies or the courts by which a trend toward a market dominated by only a handful of banks or bank holding companies may be checked."[7]

The extensive use of the potential competition standard New York State, both by the State Banking Department d the Federal Reserve Board, has provided a clear nonstration that potential competition is *in fact* a work-e standard in banking. By virtue of these regulatory

[7] Foreword to *Potential Competition: Unfounded Faith or Prag-tic Foresight?* by Ernest Kohn and Carmen J. Carlo, New York te Banking Department, 1970.

agency decisions, large potential entrants have been denied the opportunity to enter the New York City suburbs and larger upstate markets by means of acquisitions of the larger local banks. This, however, has not prevented them from entering these markets. In most cases, they have entered them by the means open to them—*de novo* branching or acquisition of smaller banks in local markets.

As a result of this process, in the great preponderance of cases, *potential* competitors have within a relatively short time become *actual* competitors of the local banks they sought and were unable to acquire. Accordingly, more diverse and competitive banking markets have developed than otherwise would have existed in New York.

I. Extensive Experience in New York Illustrates the Basis for Applying a Potential Competition Standard in Commercial Banking

The New York State Banking Department has for many years been concerned with the potential competition standard and has had extensive experience in applying it. About two years ago, the Department published the results of a study[8] it had made of potential competition, hereinafter referred to as the "Study". The Study concluded that it is highly probable that potential competitors will become actual competitors in a local market, if prevented from entry by affiliation with leaders in the market.

Since its publication, events have taken place in the New York banking industry which confirm and strengthen the conclusions of the Study. These events, together with those reported in the Study, are summarized in the Table on pages 10-17 of this brief, hereinafter referred to as "Table".

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[8] *Potential Competition: Unfounded Faith or Pragmatic Foresight?* by Ernest Kohn and Carmen J. Carlo, New York State Banking Department, March 1970.

The comments which follow on the importance of potential competition in commercial banking are based on the Study and on later developments reported in the Table.

A. The Structure of Banking in New York State

In the State of New York, commercial banks may branch or merge within the banking district in which they are headquartered. The state is divided into nine multi-county banking districts. Bank holding companies may acquire banks in different banking districts.

Most local banking markets in New York as well as in many other states throughout the country are already characterized by extremely high degrees of concentration. As previously indicated, in all six of the standard metropolitan statistical areas (SMSA) in upstate New York, the four largest banks have over 75% of total commercial bank deposits. In three of these areas, the share exceeds 90%.[9] These markets are typical of the high degree of concentration which tends to exist in local banking markets throughout the country.[10]

B. New York Experience in Banking Shows That Potential Competition Usually Becomes Actual Competition: In the Preponderance of Cases Where Applications Were Disapproved in Which Potential Competition Was Relevant, Institutions Involved Did Come Into Actual or Increased Competition With Each Other in a Relatively Short Time Period

The New York Legislature's passage of the Omnibus Banking Law of 1960-61 permitted New York City-based

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[9] The comparable figure for the New York City SMSA is 53%.

[10] See, for example, the data by SMSA on the deposit shares held by the largest banks in *Summary of Accounts and Deposits in All Commercial Banks,* Federal Deposit Insurance Corporation, June 30, 1970.

banks to branch *de novo* into, or merge with banks headquartered in, Nassau and Westchester Counties which adjoin New York City. The Law also established more specific criteria for the formation and expansion of multi-bank holding companies and was followed by rapid holding company growth beginning in 1966. Through a holding company, a bank located in one of the state's nine geographical banking districts can enter any other district by affiliation with a bank located there.

The Department's Study focused on the after-effects of the 13 disapprovals of proposed bank mergers and holding company acquisitions which occurred in New York in the three-year period 1961 through 1963.[11] All disapprovals were considered regardless of whether the institutions involved were explicitly identified as potential competitors at the time their applications were denied. Analysis was subsequently made of 10 additional disapprovals, from the beginning of 1964 through the end of 1970, and their after-effects as well.

The Study indicated that potential competition became actual competition in 10 of the 13 disapproved applications (or 77%) for the period 1961-1963. In the 10 subsequent cases covering the period 1964-1970, potential competition became actual competition in seven cases (or 70%). However, even this relatively high ratio *understates* the probability that potential competition will become actual competition since insufficient time has elapsed to provide a completely adequate test.[12]

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[11] *Disapproved* applications provide the most meaningful test of the probability that potential competition will become actual competition. The reason that *approved* applications are not relevant in this context is that once a merger or acquisition has been approved and consummated, the necessity for a bank to seek entry into that area by other means, or for the "sought-after" bank to seek an alternative affiliation, is effectively eliminated.

[12] Three of the 10 cases denied involved proposed mergers in 1968, 1969 and 1970, respectively.

sidering applications denied in the entire period 970, potential competition became actual competition % (17 out of 23) of the cases. Analysis of these 17 summarized in the Table, confirmed the original find- f the Study:

Every case involved a proposed merger or acquisition elatively large banking organization.

The banks which they unsuccessfully sought to merge uire ranged in size from very small to very large.

Within the space of a relatively few years (averag- out three and one-half years) after the disapproval regulatory authorities, the institutions involved in oposal came into competition with each other or be- more effective competitors, and the competitive ire of the area was significantly improved.

This occurred as a result of: (a) the large bank ex- g into the other's area through *de novo* branching uiring a much smaller institution and converting it more effective competitor, or (b) the "sought-after" eing acquired by a different institution which pre- had little or no representation in the area thereby thening the competitive capabilities of the acquiring tion, or (c) the "sought-after" bank helping to or- a new holding company which competes in various of the State with affiliates of the large bank which iginally sought to acquire it.

Most of the "sought-after" banks had some of their in rapidly growing suburban areas where additional ing activity is likely in the future. As a result, the of actual competition which has developed between stitutions involved can be expected to increase fur- the years ahead.

eover, only two of the six cases where potential com- n has not yet become actual competition out of the es analyzed involved a leading bank holding com- acquisition of a major bank in a local market. The our cases involved large banks which sought mergers tively small banks in small communities where the

larger banks could not branch because of home office protection.

SUMMARY TABLE

POTENTIAL CONVERTED INTO ACTUAL COMPETITION

Applications Denied 1961	*Actual Competition Realized* 1968
1. Holding company affiliation of Bankers Trust Company (sixth largest bank in New York City) and County Trust Company (largest bank in Westchester County adjoining New York City). (Denied by State Banking Board—see Annual Report of the Superintendent of Banks, 1961, pp. 44-62)	Bankers Trust of New York City entered Westchester County, where County Trust is located, by merger in 1968 with a bank much smaller than County Trust, and subsequently opened a *de novo* branch there. Bankers Trust's nine Weschester branches now compete with 54 County Trust offices in Westchester. The two banks are also part of different holding companies now competing in other sections of the state.
1962	1962
2. Merger of First National City Bank (second largest bank in New York City) and National Bank of Westchester (second largest bank in Westchester County adjoining New York City). (Denied by Comptroller of the Currency—see Annual Report of the Comptroller of the Currency, 1962, pp. 138-146)	First National City Bank of New York City entered Westchester County starting in 1962 by *de novo* branching. Its 21 Westchester branches now compete with 32 offices of National Bank of Westchester. The latter is now affiliated with a smaller holding company.

Applications Denied	*Actual Competition Realized*
1962	1963
Merger of Chase Manhattan Bank (largest bank in New York City) and Hempstead Bank (third largest bank headquartered in Nassau County adjoining New York City). (Denied by Federal Reserve Board—see Federal Reserve Bulletin, May 1962, pp. 544-548)	Chase Manhattan Bank of New York City entered Nassau and Suffolk Counties, where Hempstead Bank's offices are now located, by *de novo* branching starting in 1963 and by establishing a new bank. Its 10 Nassau County offices and its Suffolk County affiliate now compete with 25 offices of Hempstead Bank.
1962	1963
Merger of Chemical Bank (fifth largest bank in New York City) and Long Island Trust Company (second largest bank headquartered in Nassau County adjoining New York City). (Denied by Federal Reserve Board—see Federal Reserve Bulletin, May 1962, pp. 548-555)	Chemical Bank of New York City entered Nassau and Suffolk Counties, where Long Island Trust's offices are located, by *de novo* branching and by merger in 1963 and affiliation with two banks whose combined size was much smaller than Long Island Trust. Chemical's 13 Nassau County branches and its 5 Suffolk County offices now compete with 26 Long Island Trust offices.
1962	1968
Holding company affiliation between Marine Midland (then the largest multibank holding	Marine Midland of New York City entered Nassau and Suffolk Counties, where Security National's

Applications Denied 1962	*Actual Competition Realized* 1968
company in New York State with affiliates in New York City and other major cities upstate) and Security National Bank of Long Island (the largest bank headquartered in Suffolk County). (Denied by Federal Reserve Board—see Federal Reserve Bulletin, December 1962, pp. 1597-1608)	offices are located, by *de novo* branching starting in 1968 and by merger and affiliation with two banks whose combined size was much smaller than Security National. Marine's 18 Nassau and Suffolk County offices now compete with 65 offices of Security.
1962	1967
6. Holding company affiliation between Morgan Guaranty Trust Co. (the fourth largest bank in New York City) and six leading banks in major cities throughout upstate New York. (Denied by Federal Reserve Board—see Federal Reserve Bulletin, May 1962, pp. 567-582)	Five of the banks involved in the proposed formation of this holding company are important members of three separate and competing holding companies, the first of which was established in 1967.
1961	1969
7. Merger of State Bank of Albany (the largest bank in the Albany district) and Fulton County National Bank (second largest independent	Fulton Bank, acquired by Charter holding company in 1969, competes more effectively with State Bank of Albany in Fulton County.

Applications Denied	*Actual Competition Realized*
bank in Fulton County northwest of Albany)* (Denied by Superintendent of Banks)	
1961	1963
8. Merger of Manufacturers and Traders Trust Company (the second largest bank in the Buffalo district) and State Bank of Newfane (the last remaining independent bank in Niagara County which adjoins the Buffalo area)* (Denied by Superintendent of Banks)	Subsequent merger of Newfane bank into Liberty National Bank of Buffalo in 1963 resulted in more effective competition in the Newfane area with Manufacturers by replacing Newfane bank with a stronger competitor.
1962	1963
9. Merger of County National Bank (the largest bank headquartered in Orange County) and National Bank of Port Jervis (a small unit bank in Orange County)* (Denied by Comptroller of the Currency — see Annual Report of the Comptroller of the Currency, 1962, pp. 153-154)	Subsequent merger of Port Jervis bank in 1963 resulted in more effective competition with County National Bank in the Port Jervis area.

* Denial based in part on elimination of existing competition. or details, see the Study.

Applications Denied 1963	*Actual Competition Realized* 1969
10. Merger of Manufacturers and Traders Trust Company (the second largest bank in the Buffalo district) and Bank of Jamestown (the third largest bank in the City of Jamestown about 70 miles south of Buffalo). (Denied by Superintendent of Banks—see Annual Report of the Superintendent of Banks, 1964, pp. 19-21)	Jamestown bank, acquired by Bankers Trust holding company in 1969, now competes more effectively with Manufacturers and Traders Trust Company in Chautauqua County.
1965	1970
11. Merger of Chemical Bank (the fourth largest bank in New York City) and First National Bank in Yonkers (the fourth largest bank headquartered in Westchester County adjoining New York City). (Denied by Superintendent of Banks—see Annual Report of the Superintendent of Banks, 1965, pp. 25-35)	Yonkers bank, located in Westchester County, merged in 1970 into another New York City bank much smaller than Chemical resulting in more effective competition with Chemical's other Westchester County branches. In addition, Chemical Bank entered the City of Yonkers starting in 1971 by establishing two new branches within several blocks of Yonkers bank's offices.
1967	1969
12. Holding company affiliation between Bankers Trust Company (the sixth largest bank in	Bankers Trust holding company, by acquiring Bank of Jamestown in 1969, now competes with

Applications Denied 1967	*Actual Competition Realized* 1969
New York City) and Liberty National Bank (the third largest bank in the Buffalo district). (Denied by Federal Reserve Board—see Federal Reserve Bulletin, May 1967, pp. 769-774)	Liberty bank of Buffalo in Chautauqua County. Also, Liberty subsequently became part of upstate-based holding company which competes with Bankers Trust affiliates in other areas.
1967	1969
Holding company affiliation between Marine Midland Banks (then the second largest multibank holding company in New York State with affiliates in New York City and other major cities upstate) and First Westchester National Bank (the third largest bank headquartered in Westchester County adjoining New York City). (Denied by State Banking Board—see Annual Report of the Superintendent of Banks, 1967, pp. 50-58)	A Marine Midland holding company affiliate entered Westchester County by *de novo* branching starting in 1969. Its six Westchester branches now compete with First Westchester's 17 offices.
1968	1970
Affiliation between Charter holding company (whose lead bank is Irving Trust Company, the seventh larg-	Part of Central Trust in the Rochester area was "spun off" and acquired by Bankers Trust holding company in 1970 bringing

Applications Denied	*Actual Competition Realized*
1968	1970
est bank in New York City) and Central Trust Company (the fourth largest bank in the Rochester district). (Denied by Federal Reserve Board—see Federal Reserve Bulletin, November 1968, pp. 925-932)	that portion of Central into competition with Charter holding company which acquired the rest of Central Trust.
1969	1971
15. First Empire State holding company affiliation involving four banks, in widely separated cities throughout New York State, which ranked as the largest or the second largest banks headquartered in these cities. (Denied by Federal Reserve Board—see Federal Reserve Bulletin, September 1969, pp. 738-743)	Two separate and competing holding companies, the first of which was formed in 1971, have been established by three of the banks involved.
1970	1972
16. Affiliation of Bankers Trust holding company (whose two largest affiliates are Bankers Trust Company, the sixth largest bank in New York City, and	Troy bank, located in a city near Albany, was acquired in 1972 by the Charter holding company. As part of the same transaction, Charter established a new bank in Al-

Applications Denied	*Actual Competition Realized*
1970	1972
First Trust of Albany, the third largest bank in the Albany district) with Union National Bank of Troy (the second largest bank headquartered in the city of Troy which is near Albany). (Denied by State Banking Board—see Annual Report of the Superintendent of Banks, 1970, pp. 74-83)	bany which was merged with Troy bank, thereby coming into direct competition with Bankers Trust's subsidiary in Albany.
1970	1972
Affiliation of Charter holding company (whose lead bank is Irving Trust Company, the seventh largest bank in New York City) with Hempstead Bank (the third largest bank headquartered in Nassau County adjoining New York City). (Denied by State Banking Board—see Annual Report of the Superintendent of Banks, 1970, pp. 111-120)	Charter entered Nassau and Suffolk Counties, where Hempstead Bank's offices are located, by acquiring the Bank of Babylon in 1972 which is much smaller than Hempstead Bank and competes with it.

NOTE: Branch statistics are as of latest available date.

C. Probability Is High that Institution Seeking Merger or Acquisition Will Enter the Market by Alternative Means If Its Original Proposal Is Denied

Any case involving potential competition raises the question of whether the institution seeking a particular merger or acquisition would be likely to enter the area by other means if its proposal is denied.

The experience in New York State summarized in the foregoing evidence indicates the probability is very high that a banking organization which has sought to enter a market by merger with or acquisition of a leading bank there will seek to enter that market by alternative means if its original proposal is denied, thus converting potential competition into actual competition within a reasonably short period of time. Large banking organizations—especially the largest such organizations in a state—are not easily discouraged. If blocked from entry by one method into an attractive market, they are quite likely to seek alternative means of entry.

Moreover, neither self-serving statements by a bank that it does not intend to enter the market by other means nor the absence of prior evidence of such intent is a valid basis for concluding that it would not seek alternative means of entry if the proposed merger or acquisition were denied. This is so for two reasons:

1. If banks know that the regulatory agencies and/or the courts will permit mergers or acquisitions if there is no prior evidence of their intent to enter a market by alternative means, this will create an incentive to studiously avoid any action which would generate such evidence.

The New York State experience indicates that skepticism in this context is justified—and for a very sound reason: Alert and aggressive bank managements are concerned about strengthening their institution's competitive capabili-

, improving its profitability and attempting to keep pace
a the growth and geographical expansion of its major
petitors. It is highly unlikely that they will forego
itable opportunities for expansion into attractive
kets merely because their first and preferred vehicle for
y has been sidetracked. In most situations, they have
luded that alternative entry is preferable to no entry at

Knowledgeable bankers are aware that taking over a
g concern by merger or acquisition, particularly if one
not have to pay too substantial a premium for its
k, is quicker, less expensive and more profitable than
ding a branch system *de novo*. Similarly, acquiring a
er bank is usually preferable to acquiring a smaller one
iew of the greater amount of deposits, assets, branch
rage and profit potential thereby obtained. Hence, so
as merging or acquiring a larger bank is available as a
ns to enter a market, why should a bank devote time,
rt and expense to analyzing the alternatives of *de novo*
ching, acquiring a smaller bank, or chartering a *de novo*
there? This would be necessary only when the
ously easier and more profitable means of entry was
onger open. As is apparent from many of the New
k cases examined, only then will alternative ways of
ring a market be seriously considered and acted upon.

. The Choice of Alternative Means of Actual Entry Depends on the Nature of the Market Involved

he New York experience indicates that a large bank
bank holding company is very likely to seek alternative
ns of entry into an area if its initial merger or
isition proposal is denied. Since the "second best"
ns of entry is usually preferable to no entry at all, such
nizations are not likely to forego such opportunities
expansion.

The "second best" entry route for such a bank may be either by establishing branches in the area, if that is legally possible, or by acquiring a bank much smaller than the one originally sought, or by causing a new bank to be chartered there. In determining whether *de novo* entry is a likely or feasible alternative, the economic characteristics of the area must be considered. The New York experience indicates that suburban areas, with their relatively high level of per capita income and their potential for future population and economic growth, tend to be extremely attractive markets. If denied access by other means, a large banking organization is likely to seek entry by opening new branches—thereby converting potential into actual competition. In areas where *de novo* entry is not feasible, the New York experience indicates that large banks will seek to acquire relatively small banks if they are unsuccessful in their attempt to acquire larger ones.

E. Alternative Affiliations are Usually Open to the Sought-after Bank

Another question frequently encountered in potential competition cases concerns the probability that a proposed merger or acquisition is the only feasible one for a small or moderate-size bank wishing to be acquired.

The New York State experience suggests that when a small or moderate-size bank is denied permission to merge or to be acquired by a large organization, it can seek and find alternative affiliations. The reason for this is that the same factors that made the bank (including its market) attractive to one partner are likely to make it desirable to another.

Thus, 10 of the disapprovals cited in the Table during the period 1961-1970 involved banks with less than $75 million in assets at the time they sought to merge or affiliate with a larger banking organization. Seven of these banks had less than $20 million in assets. In seven of the

10 cases involving banks under $75 million, and in five of the seven cases under $20 million, the bank subsequently merged or affiliated with another institution.

II. The Importance of Potential Competition in Banking

A. Avoidance of Statewide Dominance by a Few Banking Organizations

Federal law generally confines a bank or a bank holding company to operations in a single state.[13] This protects the country as a whole from a highly concentrated banking industry on a national scale (as for instance exists in Great Britain or Canada). At the same time, however, it protects the banks of a particular state from much outside competition and thereby enhances the risk that a few banks *within a state* will come to dominate banking in local markets throughout the state.

The potential competition standard is essential to dealing with the threat of domination of banking in a state by a few institutions which control most or all leading banks in the state's major banking markets.

If, for example, two or more large banks located in different areas of the State seek to merge or affiliate, no existing competition would be eliminated since banks' service areas generally tend to be limited to the communities (and environs) in which their offices are located. However, such a merger forever forecloses the possibility that they could come into competition by branching into each other's service area or by merging or affiliating with small banks located in each other's area. Failure to apply the potential competition standard in such situations

[13] 12 U.S.C. 36, 1842(d).

would encourage other similar affiliations between large banks located in different markets. Such a pattern of affiliations would eventually lead to domination of the entire state by a relatively few large banking organizations.

Moreover, even affiliations between large banks and small or moderate-size banks may contribute to statewide dominance by a few large institutions. In view of the localized nature of banks' service areas, a large banking organization could continue to seek additional mergers or acquisitions in selected, separated communities without ever eliminating a substantial degree of *existing* competition. This could be accomplished by means of a "leapfrogging" pattern of mergers or acquisitions in one community after another, skipping a community or two in between in order to avoid any overlap of service areas and thereby ensure that substantial existing competition is not eliminated. The end result of this process would also be that banking concentration among a relatively few large institutions in the state would increase—unless prevented by use of the potential competition standard.

A question might be raised, however, as to why—if banks' service areas are localized and therefore largely non-competing—these patterns of acquisition by the largest banking organizations in a state are undesirable. Such patterns are objectionable on the following grounds:

1. They restrict the opportunities for entry and expansion by smaller banking organizations (including smaller holding companies) whose growth should be encouraged if they are to be able to compete more effectively with the larger institutions in the state for the business of those customers who need more specialized services than the smaller institutions are able to provide.

Because of their limited size, smaller banking organizations generally are not able to offer as wide a range of

vices as larger institutions, usually cannot afford as ensive an advertising program and are likely to find it e difficult to attract qualified management personnel. tates where a few large banking organizations already e a large share of commercial banking resources—ch is characteristic of many states throughout the ntry—options for merger and acquisition should be kept lable to permit smaller banking organizatons to grow become more competitive. If this is not done, potential petition is being eliminated since the expansion and elopment of smaller institutions is being limited and may be largely foreclosed.

vents in recent years in New York State have empha-d the importance of retaining options for expansion of ller banking organizations. In the past six years, four multi-banking holding companies have been formed h a fifth in process of formation)[14] in which the lead ts were headquartered in upstate New York. If these ate-based holding companies are to be strengthened ive to the larger New York City-based holding com-es, opportunities for them to acquire affiliates should reserved so that these smaller organizations can con-e to grow and expand into areas where they are not represented.

is relevant in this context that the larger banking nizations have the resources to be able consistently to id their smaller competitors by offering larger pre-ns for the stocks of the banks they wish to acquire. ire to apply the potential competition standard is fore likely to cause banks wishing to be acquired to itate towards the largest banking organizations in the

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The five holding companies and their year of formation are: ity New York State Corporation (1966), Lincoln First Banks 1967), United Bank Corporation of New York (1971), First nercial Banks Inc. (1971) and First Empire State Corporation).

state, thereby limiting the growth and expansion opportunities necessary to strengthen smaller banking organizations.

2. Dissatisfied bank customers in any particular area would find that they had fewer potential alternatives available to them since adjoining areas would contain offices of the same few banking institutions represented in their own area. Although bank customers generally do business locally, some—particularly business or farm loan customers—may need to seek credit in areas outside of, although near, their own. If, however, the same few statewide banking organizations are dominant in one area after another, the choices available for such customers will be unduly restricted.

3. Permitting large banking organizations to merge or acquire subsidiaries eliminates the incentive for them to expand, by *de novo* branching, into suburban areas of economic growth potential or other areas where branching opportunities exist and will continue to develop in the future. Such branching would intensify competition while at the same time retaining local banks as competitive alternatives.

B. Deconcentration of Concentrated Local Banking Markets

The relationship between the potential competition standard and the opportunity to deconcentrate highly concentrated local banking markets is also important.

As previously noted, most local banking markets in New York as well as in many other states throughout the country are already characterized by very high degrees of concentration. Merger and acquisition applications, therefore, should be considered from the standpoint of whether they move in the direction of reducing tendencies toward monopoly and of promoting increased competition and consumer choice. Failure to apply the potential competition

ndard, thus permitting large aggressive institutions to quire the larger local independent banks with which they not now compete, would foreclose opportunities for h deconcentration since:

1. It would eliminate the incentive for large banks to k alternative means of entry into those markets by *de vo* branching, acquiring a relatively small institution, or artering a new bank. Any of these alternatives would en- nce competition and help to deconcentrate markets—her by introducing new competitors into the market or converting a small bank into a more effective competitor the large institutions already in the area.

2. It would limit the options for expansion by smaller nking organizations which would, because of accretions size and the related advantages previously discussed, p make them more effective competitors in this as well in other markets throughout the state where they come o competition with larger banking organizations.

In short, by application of the potential competition ndard, the incentive for entry by alternative means is ained, the opportunity for deconcentration of highly con- ntrated banking markets is preserved, and the proba- ity exists that a healthier competitive banking structure l result.

. Conclusion

In the original *Philadelphia National Bank* case, the de- dants argued that the competitive policies of federal ti-trust laws were not directly applicable to mergers be- een two competing commercial banks. This Court flatly ected this argument, saying, "The fact that banking is ighly regulated industry critical to the Nation's welfare kes the play of competition not less important but more " 374 U.S. at 372.

With respect to proposed bank mergers or bank holding company acquisitions, potential as well as actual competition should be considered in judging the total competitive effect of an application.

The standard of potential competition may be difficult to employ in some product markets but reasonably applied to the period of bank and bank holding company expansion in New York State, it has been a realistic—indeed an indispensable—criterion. Experience in New York is that once denied entry into a market through a large acquisition, the probability is high that banks and bank holding companies—particularly the largest such organizations in the state—will later enter that market by other means and become actual competitors.

Accordingly, we urge that this Court recognize that a bank holding company acquisition which eliminates significant actual or potential competition is illegal under Section 7 of the Clayton Act. In defining standards of illegality, while aware that potential competition is not "susceptible to a ready and precise answer",[15] the Court should recognize that significant potential competition is generally eliminated when one of the largest banking organizations in a state seeks to enter a significant local market in that state through acquisition of one of the local market leaders.

Respectfully submitted,

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[15] *Penn-Olin, supra* at 174.

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In the Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-703

UNITED STATES OF AMERICA, APPELLANT

v.

FIRST NATIONAL BANCORPORATION, INC. AND THE FIRST NATIONAL BANK OF GREELEY

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLORADO

BRIEF FOR THE UNITED STATES

OPINION BELOW

The memorandum opinion and order of the district court (J.S., App. A, pp. 26-61) is reported at 329 F. Supp. 1003.

JURISDICTION

The memorandum opinion and order of the district court was filed on July 12, 1971. On August 27, 1971, the district court entered an order denying plaintiff's timely motion, under F.R. Civ. P. 52(b) and 59, to reopen the record, to obtain additional findings of fact and conclusions of law, and to obtain the relief re-

quested in the complaint (J.S., App. B, p. 62). The United States filed a notice of appeal to this Court on September 24, 1971 (J.S., App. C, p. 63). Probable jurisdiction was noted on February 22, 1972. The jurisdiction of the Court is conferred by Section 2 of the Expediting Act (15 U.S.C. 29). *United States* v. *Phillipsburg National Bank*, 399 U.S. 350; *United States* v. *Third National Bank in Nashville*, 390 U.S. 171.

QUESTIONS PRESENTED

1. Whether acquisition of a leading bank in a concentrated local market in Colorado by one of the largest holding companies in the state violates Section 7 of the Clayton Act by eliminating the potential competition of the acquiring firm and by contributing to the statewide trend toward domination of commercial banking by a few large holding companies.

2. Whether acquisition of the second largest bank in Greeley, Colorado, by the second largest bank holding company based in Denver, Colorado, may substantially lessen competition among Denver banks offering correspondent banking services to Colorado "country banks" by contributing to the trend toward foreclosure of outlets for such services in the state.

STATUTES INVOLVED

Section 7 of the Clayton Act, 38 Stat. 731, as amended, 64 Stat. 1125, 15 U.S.C. 18, provides in pertinent part:

> No corporation engaged in commerce shall acquire, directly or indirectly, the whole or any part of the stock or other

> share capital and no corporation subject to the jurisdiction of the Federal Trade Commission shall acquire the whole or any part of the assets of another corporation engaged also in commerce, where in any line of commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition, or to tend to create a monopoly.

* * * * *

Section 3(*c*) of the Bank Holding Company Act of 1956, 70 Stat. 134, as amended, 80 Stat. 237, 12 U.S.C. 1842(*c*), provides in pertinent part:

> The [Federal Reserve] Board shall not approve—
>
> * * * * *
>
> (2) any other proposed acquisition or merger or consolidation under this section whose effect in any section of the country may be substantially to lessen competition, or to tend to create a monopoly, or which in any other manner would be in restraint or[1] trade, unless it finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.
>
> In every case, the Board shall take into consideration the financial and managerial resources and future prospects of the company or companies and the banks concerned, and the convenience and needs of the commmunity to be served.

[1] So in orginal.

STATEMENT

This is a direct appeal from the judgment of the United States District Court for the District of Colorado, dismissing a complaint by the United States alleging that the acquisition by the second largest bank holding company in the State of Colorado, First National Bancorporation ("Bancorporation"), of The First National Bank of Greeley ("FNB Greeley"), the largest independent bank and the second largest commercial bank in Greeley, Colorado, violated Section 7 of the Clayton Act.

A. THE STRUCTURE OF BANKING IN COLORADO

It is agreed that, insofar as this case involves potential competition, the relevant product market is, as the district court found (J.S. App. A, pp. 41–43), "commercial banking."[2]

Denver is the banking, commercial and financial center of Colorado (see App. 219–221).[3] It has almost a quarter of the State's population and almost half of the State's bank deposits (compare PX 21, App. 782, and DX 32, App. 1670). Bancorporation's principal subsidiary, the First National Bank of Denver ("FNB Denver") is the largest bank in the city; it

[2] The court found it unnecessary to make any finding about product market in resolving the separate question relating to correspondent banking services (see n. 20, *infra*).

[3] "App." references are to the printed appendix in this Court; "PX" references are to plaintiff-appellant's exhibits introduced in the district court; "DX" references are to defendants-appellees' exhibits in the district court.

had 25.3 percent of the deposits in Denver County in December 1969 (PX 21, App. 782).

There are also other significant banking markets in Colorado, which are located in the other population centers of the State—Colorado Springs, Boulder, Fort Collins, Pueblo, and Greeley. All of these cities are located along the Rocky Mountain front, north and south of Denver.

Colorado prohibits branch banking,[4] but does not prohibit common ownership of two or more separate banks by a holding company.

In the 1960's the leading Colorado banks began to form holding companies to bring local banks across the state under common control (PX 4, App. 534–535). In 1960, there was one holding company operating in Colorado—an out-of-state firm, Western Bancorporation—which operated three subsidiary banks in Colorado accounting for 4.4 percent of total Colorado deposits.[5] By 1970, there were seven such companies, which together operated 41 subsidiary banks throughout the state (J.S. App. A, n. 35), including 13[6] of the 27 banks outside of Denver that had June 1970 deposits of more than $20 million (PX 125, App. 1157). By concentrating on the acquisition of local market leaders in Colorado's most significant banking markets (DX 3, App. 1371–1372), these seven companies by 1970 had obtained 51 percent of the

[4] Colo. Rev. Stat. 1963, § 14–3–1 (1969).

[5] As an out-of-state holding company, Western Bancorporation was barred by the Bank Holding Company Act of 1956 from further expansion in Colorado. 12 U.S.C. 1842(d).

[6] This includes the post-trial acquisition of National State Bank of Boulder by Bancorporation. See n. 9 *infra*.

State's total deposits,[7] although they owned less than one-fifth of all Colorado banks. As a result, despite an increase in the absolute number of banks and banking organizations in Colorado between 1960 and 1970 (DX 28, App. 1653–1660), there has been a trend toward control by a few large holding companies of the leading banks in local market areas (see n. 28, *infra*, and accompanying text at pp. 24–25).

B. THE ACQUIRING HOLDING COMPANY

Bancorporation is a registered bank holding company. It was organized by the state's largest bank, First National Bank of Denver ("FNB Denver"), to combine FNB Denver as its lead bank with three smaller Denver banks that had been organized *de novo* by principals of FNB Denver (PX 3, App. 513; PX 4, App. 534–535; PX 5, App. 552–554; PX 6, App. 557–561). In June 1970, FNB Denver had total deposits of $468.0 million (12.3 percent of total deposits held by Colorado commercial banks); it had total assets of $586.5 million, and loans and discounts of $340.8 million (J.S., App. A, pp. 29–30). Moreover, FNB Denver is the largest of the six Denver banks offering a full range of correspondent banking service to smaller Colorado banks.[8] As of August 1970, it had

[7] Computed from PX 115, App. 1144–1145, and DX 28, App. 1653–1660.

[8] Because of Denver's political, social, and economic significance in the state and region, smaller "country" banks throughout the state rely upon six downtown Denver banks to supply their primary needs for large bank services. These inter-bank operations are known as correspondent banking services, which include such things as check clearing, overline loans, advice on local banking regulations, international transactions, and a growing number of financial and bank-related services.

more than 37 percent of the Colorado interbank deposits held by these six banks, as compared to approximately 23 percent held by each of the two next largest banks (PX 204, App. 1303; PX 205, App. 1304; see also App. 247–248).

At the time of its organization, Bancorporation stated in its first annual report (PX 3, App. 513):

> The policy of our company is to expand as rapidly and as wisely as possible through the acquisition of other banks in Colorado (preferably banks in those growth areas where Bancorporation may make the most significant contribution to Colorado's economy and concurrently generate the highest profits for its shareholders) and through other legally permissible investments and activities.

Bancorporation has vigorously pursued this policy by attempting to enter all but one of the state's six most significant markets. Its proposed acquisition of FNB Greeley was the first of six applications filed by the holding company between 1969 and 1971 seeking regulatory permission to acquire important banks in various Colorado local banking markets.[9] Its six applica-

[9] In addition to the three applications discussed at n. 28, *infra*, Bancorporation has had two others. The Federal Reserve Board denied its application to acquire the only bank in the rapidly expanding Montbello section of Denver (DX 52, App. 1750–1759); it approved its acquisition of the second largest bank in Boulder. In the latter instance the government did not bring suit because the acquired bank was in serious financial difficulties. *In the Matter of First National Bancorporation, Inc.*, 57 Fed. Res. Bull. 613. It also recently acquired a small bank in East Colorado Springs. Fed. Res. Bd. Order, April 26, 1972.

tions involved banks with total deposits of $217.2 million (DX 1, App. 1329–1336); these included the state's eighth, ninth and fifteenth largest banks (PX 123, App. 1155), which were the third, fourth and ninth largest banks outside Denver (PX 125, App. 1157). The holding company has other proposals under active consideration (PX 241, App. 1323–1328; see also PX 4, App. 535–536; PX 6, App. 561–564; App. 286).

C. THE LOCAL GEOGRAPHIC MARKET

The district court found that the relevant geographic market for purposes of determining the effect of the present acquisition on potential competition is the so-called "Greeley Area," consisting of the City of Greeley, Colorado, and the adjacent communities of Evans, LaSalle, Peckham, Kersey, Gill, Eaton, Lucerne, Farmers and Bracewell (J.S., App. A, pp. 32, 43–47).[10] Appellees have not challenged this finding.

The City of Greeley is located approximately 50 miles north of Denver in Weld County; it is the county seat (J.S., App. A, p. 29; App. 37). The Greeley Area is presently undergoing rapid development; in the past decade it has grown substantially, while the entire economy of Weld County, previously agri-

[10] With respect to the effect of this acquisition on actual competition among Denver-based banks for correspondent banking services, the court found it unnecessary to decide the relevant geographic market (see n. 20, *infra*).

cultural, has experienced a healthy diversification (App. 74–75).[11]

The population of the Greeley Area increased from 45,228 to 58,500 between 1960 and 1970, an increase of 29.3 percent (PX 98, App. 1126). Most of this increase occurred within the City of Greeley, where the expansion was 47.8 percent (PX 88, App. 1118). Economic growth during the period was even more significant. For example, the consumption of electric power and of natural gas increased 115.8 percent (PX 101, App. 1127) and 127.3 percent (PX 100, App. 1127), respectively; and the number of main telephones went up 48.2 percent (PX 99, App. 1126). Retail sales for Greeley—which is Weld County's trade and government center (App. 37–39)—were up 97.1 percent (PX 91, App. 1121), while gross sales rose 281.8 percent (PX 90, App. 1120). Moreover, personal income in Weld County increased from $119.5 million in 1959 to $212 million in 1968 (PX 103, App. 1128).[12]

[11] Between 1950 and 1968, Weld County continued to be one of the nation's top ten agricultural counties. But farm earnings, which accounted for 49.2 percent of the total personal income at the beginning of this period accounted for only 28.3 percent at the end. In the same period, earnings from manufacturing increased from 4.1 percent to 11.1 percent (J.S., App. A, p. 34, n. 4; PX 104, App. 1129–1130).

[12] Since three-fourths of Weld County's population growth is attributable to the City of Greeley (PX 88, App. 1118), presumably a similarly disproportionate share of the county's growth is personal income which was earned by Greeley residents.

D. THE ACQUIRED BANK AND THE STRUCTURE OF BANKING IN GREELEY

Within the Greeley Area, six separate banking organizations operate eight banking offices of varying size. Their relative market shares appear in tabular form at J.S., App. A, p. 33. The acquired bank, FNB Greeley, is the community's largest independent bank, and its second largest banking organization (J.S., App. A, pp. 32, 48). It is also Colorado's fifteenth largest bank in terms of total deposits, and ranks twelfth in the state in terms of total loans and discounts (J.S., App. A, p. 31). It has total deposits of $39.2 million, constituting 33.9 percent of the total deposits for the city, and 31.8 percent of the total deposits for the Greeley Area (J.S., App. A, p. 32). At the time of the proposed acquisition, the total assets of FNB Greeley were $47.7 million; its outstanding loans were $28.9 million, or 32.6 percent of the Greeley Area total (PX 73, App. 1097; PX 78, App. 1102).

The largest banking organization in the Greeley Area is Affiliated Bankshares of Colorado, Inc., ("ABC"). It owns three banking institutions there, the combined deposits of which total $49.6 million, or 42.9 percent of the total deposits for the city and 40.2 of the total deposits for the area (J.S., App. A, p. 33; PX 74, App. 1098). ABC's principal local subsidiary, Greeley National Bank, is almost the same size as the acquired bank (PX 73–86, App. 1097–1116; PX 114–118, App. 1142–1151; and see App. 77–78).

The third largest banking organization operating in the Greeley Area, United Bank of Greeley ("UB

Greeley"), is a subsidiary of United Banks of Colorado ("United"), the state's largest holding company (PX 114–118, App. 1142–1151). UB Greeley has $24.7 million in deposits, which are 21.4 percent of the total deposits for the city and 20 percent of the total deposits for the area (J.S., App. A, p. 33).

Together, the acquired bank, ABC and UB Greeley, have 98.2 percent of total deposits in the City of Greeley, and 92 percent of deposits in the Greeley Area (J.S., App. A, pp. 32–33).[13]

None of Bancorporation's subsidiaries competes directly with Greeley Area banks for local business, but the acquiring holding company has maintained a presence in the area through a loan-production office operated by its lead bank, FNB Denver (PX 4, App. 538–539; PX 40, App. 952–953). It has made a number of large loans in the area (PX 48, App. 1057–1058), does some trust business there (PX 37), and has solicited business in the area (PX 38).

Bancorporation is the largest Colorado holding company not already in the Greeley Area (App. 75–76). Of the three remaining holding companies in the state not operating in the area at the time of trial, only two appear capable of competitively significant entry; the third has a total combined deposit figure which amounts to less than the deposits held by the

[13] The only other bank in the City of Greeley, State Bank of Greeley, is a commercial bank (App. 277) with less than 2 percent of local deposits (J.S., App. A. p. 33). There are two additional banks in the Greeley Area, which combined have slightly more than 6 percent of the area's total deposits (*ibid.*).

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acquired bank (*ibid.*; Compare J.S., App. A, pp. 35–36, n. 5, with PX 74, App. 1098).[14]

E. THE PROCEEDINGS

On July 9, 1969, Bancorporation applied to the Federal Reserve Board, pursuant to Section 3(a)(3) of the Bank Holding Company Act of 1956 (70 Stat. 134, as amended, 84 Stat. 1763, 12 U.S.C. 1842(a)(3)), for approval of the proposed acquisition of FNB Greeley. The Comptroller of the Currency recommended approval, but the Department of Justice advised the Board that it believed the combination "would have a significantly adverse effect on competition" (DX 48, App. 1718). The Board approved the application by a four-to-three vote on June 9, 1970.[15]

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[14] Those three holding companies are: Colorado CNB Bankshares, with combined deposits of $281.3 million; First Colorado Bankshares, with combined deposits of $120.4 million; Central Colorado Bancorporation, with combined deposits of $36 million (J.S., App. A, pp. 35–36, n. 5). Mountain Banks, Ltd., the new holding company formed since trial which owns two of the banks Bancorporation proposed to acquire (see n. 28, *infra*), has combined deposits of $182.5 million. *Mountain Banks, Ltd.*, 58 Fed. Res. Bull. 315.

[15] The majority, while recognizing that Bancorporation had the capacity for *de novo* or foothold entry into Greeley, concluded that the banking market there was not so concentrated that Bancorporation should be limited to these alternatives (DX 48, pp. 1718–1719). The existence of a non-Denver bank holding company, (Affiliated Bankshares of Colorado, Inc.) in the area, it felt (DX 48, App. 1719–1720), assured sufficient market diversity to prevent increased "parallelism" in the Greeley Area. Nor did it consider particularly relevant the fact that Bancorporation's application was but one of several by Colorado holding companies across the state; the impact of each proposed acquisition on the state's banking structure must be

The United States filed this civil antitrust action on July 8, 1970, thereby automatically staying consummation of the acquisition under Section 11(b) of the Bank Holding Company Act of 1956 (70 Stat. 138, as amended, 80 Stat. 240, 12 U.S.C. 1849(b)).[16] It claimed that the acquisition would substantially lessen competition by (1) eliminating Bancorporation as a potential entrant into the Greeley Area, (2) removing it as an external influence on the relevant market, and (3) contributing to the trend toward dominance of the state's banking institutions by a few large holding companies. In an amended complaint (App. 20–26), the United States further alleged that the acquisition would eliminate actual competition by foreclosure of FNB Greeley as a customer for the correspondent banking services in Colorado, offered by six Denver banks; and that this would contribute to the trend

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considered solely on its individual merits, the majority concluded (DX 48, App. 1719).

The three dissenting members deemed the proposed acquisition to be anticompetitive (DX 48, App. 1725–1728). In their view, the effect of the majority's approval is to permit Bancorporation, upon a minimal showing, to enter by acquisition into a market that is attractive for *de novo* entry, under circumstances where its existing presence could be expected to expand into a full service operation in competition with existing banks. They argued that the adverse impact of such a determination is accentuated by the ongoing holding company movement, which threatens to concentrate in the hands of a few the control of a large percentage of the banking institutions in Colorado's six most significant banking markets (Denver, Colorado Springs, Boulder, Fort Collins, Greeley, and Pueblo). The time to stop this trend, they concluded, is now.

[16] On October 4, 1971, Mr. Justice White continued the stay pending disposition of this appeal.

toward foreclosure of a substantial portion of the market for correspondent banking services due to holding company ownership of both supplier and customer banks.

Following a trial on the merits, the district court dismissed the complaint. It ruled that the government had failed to show that the effect of the acquisition "would be substantially to lessen competition" (J.S., App. A, p. 47). It discounted as "future horribles" (*id.* at p. 52) the government's evidence of a trend in Colorado toward the acquisition by statewide holding companies of leading banks in separate local markets. Instead, noting that this was Bancorporation's first attempt to expand beyond the Denver metropolitan area," the court focused only on the competitive impact of this acquisition on banking in the Greeley Area.

First, the court found that Bancorporation was not a potential *de novo* entrant into the relevant market. Relying solely upon figures showing comparisons of population per banking office (J.S., App. A, p. 49), it determined that neither the Greeley Area nor Weld County was "underbanked." Bancorporation offi-

"The court stated that "* * * this is the first effort on the part of the Government to halt the trend of acquisitions. It did not choose to intervene until after the United Banks of Colorado and Affiliated Bankshares had both entered the Greeley Area" (J.S., App. A, p. 37).

"While Greeley's ratio of 6,484 persons per bank office is less than the 9,854 ratio for the state, it is larger than the national figure of 5,751 (J.S., App. A, p. 49). Moreover, the addition of a seventh bank based on 1970 population figures would draw the ratio down to 5,557, or slightly less than the national

cials, it pointed out, had denied any intention to enter the Greeley Area other than by acquisition of FNB Greeley. Moreover, "objective" evidence showing that Greeley's growth was only "moderate," and that the appropriate banking agencies would not now permit *de novo* entry, seemed, in the court's view, to give substance to these denials. Consequently, while recognizing Bancorporation's financial capability for *de novo* entry, it concluded that "the practical difficulties, together with the expense, argue against Bancorporation's following this route" (J.S., App. A, p. 50).

The possibility that Bancorporation would make a "foothold" acquisition of Greeley's smallest bank[18] was dismissed as unlikely under "the objective evidence presented" (J.S., App. A, p. 50); the court did not discuss, however, the other two "foothold" possibilities in the larger Greeley Area with respect to which the government had introduced evidence (see, *e.g.*, PX 73–83, App. 1097–1107).

The court also concluded that there was little evidence demonstrating that Bancorporation was an existing influence in the market by its presence in the "wings" (J.S., App. A, pp. 50–51).

Finally, the district court rejected the government's argument that this acquisition would effect an anticompetitive foreclosure of FNB Greeley as a customer for Denver-based correspondent banking serv-

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average. Among the several states, these ratios range from a statewide average low of 2.591 for South Dakota to a high of 13.479 for Florida (DX 22, App. 1623–1624). Colorado's ratio is the second highest in the nation (*ibid.*).

[18] See n. 25, *infra*, p. 22.

ices. It held that the 1.2 percent [19] foreclosure claimed by the government was insubstantial.[20] The court distinguished cases holding similarly small market foreclosure percentages to be anticompetitive on the ground that they involved national markets in other industries (J.S., App. A, p. 60).[21]

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[19] The district court accepted this figure only *arguendo*. First, it found questionable the government's reliance on interbank deposits as an acceptable measure of market shares in the correspondent banking market; it pointed out that wide variations in the amount of uncollected funds in deposit accounts distort the sums actually available for investment by the correspondent banks. Second, the court found that the government's market was improperly restricted to the interbank deposits of Colorado banks held by six Denver correspondent banks (J.S., App. A, pp. 58–59).

[20] In light of this finding, the court found it unnecessary to decide whether Denver-based correspondent banking is an appropriate "line of commerce," and whether Colorado is an appropriate "geographic market" or "submarket" (J.S., App. A, pp. 53–58).

[21] On August 27, 1971, the district court denied the government's timely motion to reopen the record, to obtain additional findings of fact, and to obtain the relief requested in the complaint (J.S., App. B, p. 62). The purpose of the motion was to place in evidence post-trial developments in Colorado banking, which, in the government's view, show that firms to which the merger route is barred as potential competitors often become actual competitors. The developments included United's decision to acquire a much smaller bank in Colorado Springs after the government's suit interrupted its effort to purchase that city's third largest bank (App. 2001–2003; PX 244–245, App. 2022–2029), and the formation of a new holding company around two of the banks that Bancorporation unsuccessfully attempted to acquire in Colorado Springs and Pueblo (App. 1997–2001; see n. 28, *infra*).

In denying this motion the district court ruled that the evidence pertaining to the holding company formation was not newly discovered and that in the interest of finality it should not be the basis for granting the relief requested (App. 2007). It permitted the government to present its evidence, however, so that it could

ARGUMENT

INTRODUCTION AND SUMMARY

The structure of the banking business in the United States is presently undergoing significant changes. With the relatively recent emergence of the bank holding company movement, and, where permitted by state law, the branch banking movement, there now exists the potential for substantially-increased competition in commercial banking through new entry into previously static local banking markets. But these expansive movements also present serious risks for future competition in this vital sector of the economy.

The ultimate effect that this expansion will have on the competitiveness of the banking business in this country will depend largely on the method by which banking organizations are permitted to expand. When, for example, entry into new markets is accomplished independently or through the acquisition of a small bank as a foothold from which to compete for a greater market share, the local markets affected become the arena for greater competition. On the other hand, when banking organizations extend their markets by acquiring leading local banks in significant banking areas throughout a state, the potential competitive benefits of their entry are lost; they simply succeed to the share of the acquired institution and, in

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be utilized in this appeal (*ibid.*). With respect to United's decision to attempt entry into Colorado Springs by acquiring a small bank, the court found it to be without probative value in the present case; it found that "Bancorporation would not go into Greeley on any foothold basis" (App. 2007–2008).

many instances, eliminate strong independent locally-oriented banking competitors in the local markets.

In many states, continued expansion by a few banking organizations in the manner last described has recently resulted, or threatens to result, in a concentration of the statewide banking business in a few of the largest and most acquisitive organizations.[22] The situation in Colorado is a good example. There, the trend toward concentration has rapidly accelerated, with Denver-based holding companies endeavoring to acquire control of established institutions which have large market shares in the state's more important local banking markets. This form of acquisition is known as a market extension—*i.e.*, the entry of a firm into a new geographic market by acquisition of a firm already doing business there. While it does not change existing market shares, it may well have a significant effect on market structure and behavior by eliminating the potential competition of the acquiring organization.

This case involves the legal criteria by which the substantiality of such an effect is to be determined in market-extension acquisitions by banking organizations; it raises squarely the question of the extent to which Section 7 of the Clayton Act forbids this developing domination by large banking organizations of a substantial percentage of the banking business in a particular state. For, as we have noted, the state boundaries form the legal arena to which banking ex-

[22] See Board of Governors of the Federal Reserve System, *Recent Changes in the Structure of Commercial Banking*, 56 Fed. Res. Bull. 195, 205–208 (1970), for recent statewide changes in concentration.

pansion is limited, and from which out-of-state banks are excluded.

The preservation of competition in banking has been a matter of recent concern to Congress. Both in the Bank Merger Act of 1966, 12 U.S.C. 1828(c)(7)(D), and in the 1966 amendment to the Bank Holding Company Act, 12 U.S.C. 1842(c), Congress barred federal regulatory approval of bank acquisitions which would violate the antitrust prohibitions of Section 7 of the Clayton Act unless "the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served." It directed the federal courts to follow the same standard. See *e.g., United States* v. *Phillipsburg National Bank*, 399 U.S. 350; *United States* v. *Third National Bank in Nashville*, 390 U.S. 171; *United States* v. *First City National Bank of Houston*, 386 U.S. 361.

In resolving the question relating to potential competition in this case, the district court erroneously required the government to prove that competition "would be" lessened (J.S., App. A, p. 47), rather than looking to whether the effect of the questioned acquisition "may be substantially to lessen competition or tend to create a monopoly," as required by Section 7. Moreover, it applied subjective rather than objective criteria in determining the substantiality of the acquiring bank's role as a potential competitor; it failed to give due weight to existing concentration in the Greeley Area; and it ignored the relationship between

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this particular acquisition and the undisputed trend toward concentration throughout the state.

Finally, the district court erred in failing to recognize that the elimination of the acquired bank as a customer for correspondent banking services in Colorado may substantially lessen actual competition in the state's correspondent banking market. In evaluating this question, the court considered the FNB Greeley acquisition in isolation, without regard to the trend in Colorado toward foreclosure of the correspondent banking market through large bank holding company acquisitions. This Court and other courts have recognized that where a trend toward substantial foreclosure is present, acquisitions of relatively small market segments, such as the 1.2 percent involved here, are significant. See *Brown Shoe Co.* v. *United States*, 370 U.S. 294, 332–334.

I. THE EFFECT OF THE PROPOSED ACQUISITION MAY BE SUBSTANTIALLY TO LESSEN COMPETITION IN COMMERCIAL BANKING IN THE GREELEY AREA BY ELIMINATING THE SIGNIFICANT POTENTIAL COMPETITION THAT THE ACQUIRING BANK HOLDING COMPANY PROVIDED IN THAT AREA

A. An Acquisition That Eliminates Significant Potential Competition in Banking May Substantially Lessen Competition within the Meaning of Section 7 of the Clayton Act.

In a market with many firms of roughly comparable size and strength, internal competition can be generally relied upon to keep down prices, to promote efficiency, and to encourage innovation. But where the market is highly concentrated—where a few firms account for most or all of the business—there is, as this Court observed in *United States* v. *Philadelphia National*

Bank, 374 U.S. 321, 363, a real danger that the firms will find their interests best served by tacitly renouncing vigorous competition, by adopting a policy of "live and let live." Actual competition may then cease to be a fully effective force; by mutual, though tacit, consent, it may be abandoned in favor of parallel behavior and the "easy life." *United States* v. *Aluminum Co. of America*, 377 U.S. 271, 280.

It is therefore important that the firms in a concentrated market remain subject to a significant form of competitive restraint; and that is the role of potential competition. Potential competition (*i.e.*, the threat of entry by strong firms outside the market either independently or by acquisition of a small firm already in the market) often provides the most significant limitation on the exercise of market power by the leading firms in a concentrated market. Consequently, the elimination by acquisition of one of the leading potential entrants into the market can have a significant anticompetitive effect on the existing market structure. And this is particularly so where, as here, there are extremely few firms which have the incentive and capability to introduce a significant new competitive factor into the market.

For this reason, the effect of a merger or acquisition which results in the elimination of a significant potential competitor "may be substantially to lessen competition", contrary to Section 7 of Clayton Act. *Ford Motor Co.* v. *United States*, No. 70–113, O.T. 1971, slip op. 6, decided March 29, 1972; *Federal Trade Commission* v. *Procter & Gamble Co.*, 386 U.S.

568; *United States* v. *Penn-Olin Chemical Co.*, 378 U.S. 158; *United States* v. *Continental Can Co.*, 378 U.S. 441; *United States* v. *El Paso Natural Gas Co.*, 376 U.S. 651.[23] The continued presence of a number of strong firms on the periphery of such a market with the capability and incentive to enter it is both an external factor influencing the conduct of those firms already inside,[24] and a possible source of future deconcentration through independent or "foothold" entry.[25] This Court has recognized the importance of preserving the sources of deconcentration in concentrated markets. "[I]f concentration is already great, the importance of preventing even slight increases in concentration and so preserving the possibility of eventual deconcentration is correspondingly great." *United States* v. *Philadelphia National Bank, supra,* 374 U.S. at 365.

[23] See also *United States* v. *Standard Oil Co.*, (N.J.), 253 F. Supp 196 (D. N.J.); *United States* v. *Jos. Schlitz Brewing Co.*, 253 F. Supp. 129 (N.D. Cal.), affirmed, 385 U.S. 37; *United States* v. *Wilson Sporting Goods Co.*, 288 F. Supp. 543 (N.D. Ill.); *Ekco Products Co.* v. *Federal Trade Commission*, 347 F.2d 745 (C.A. 7); *General Foods Corp.* v. *Federal Trade Commission*, 386 F.2d 936 (C.A. 3), certiorari denied, 391 U.S. 919.

[24] See also Bain, *Industrial Organization*, 2d ed. 1968, p. 8; Turner, *Conglomerate Mergers and Section 7 of the Clayton Act*, 78 Harv. L. Rev. 1313, 1372–1373 (1965); Areeda, *Antitrust Analysis*, 517–518 (1967).

[25] "Foothold" entry means entry by a new competitor into a market through acquisition of a small competitor already operating there. See *The Bendix Corp.*, 3 Trade Reg. Rep. ¶ 19,288, vacated and remanded on other grounds, *The Bendix Corporation* v. *Federal Trade Commission*, 450 F. 2d 534 (C.A. 6); *The Stanley Works* (Order of the Federal Trade Commission dated May 17, 1971), 3 Trade Reg. Rep. ¶ 19,646.

fn. 42.[26] An acquisition that eliminates such potential competition may have no less serious anticompetitive effects than one that eliminates existing competition. Cf. *United States* v. *Penn-Olin Chemical Co., supra*, 378 U.S. at 168, 170–174.

Potential competition is as important in banking as in any other industry, perhaps more so. Because local banking markets can support only a limited number of banks, such markets necessarily tend to be concentrated. The possibility of outside entry is, therefore, of particular significance, since it may be the only factor that inhibits anticompetitive conduct by firms within the market and also the most likely means for achieving market deconcentration.

B. The Anticompetitive Effect of an Acquisition That Eliminates a Significant Potential Banking Competitor Is Even Greater Where It Is Part of a State-wide Trend Toward Concentration in Banking.

A recent trend in the banking industry has been the acquisition by large banks (in states that permit branch banking) or by holding companies of the leading independent banks in concentrated local markets. The existence of this condition increases the anticompetitive effect of an acquisition, such as the one involved here, that eliminates from the edge of a local market a potential entrant which merely substitutes itself for an already established local bank with a

[26] "New entry can, of course, quickly alleviate 'undue' concentration. And the possibility of entry can act as a substantial check on the market power of existing competitors." *United States* v. *Phillipsburg National Bank, supra*, 399 U.S. at 377 (Mr. Justice Harlan, dissenting).

substantial market share. Such an acquisition not only removes the significant procompetitive effect upon local market behavior that the acquiring firm provided; it also jeoparizes the vigor of competition in the area which, because of its concentration, depends so much on the presence of strong independent banks.

When a few leading institutions within a state enter most of that state's significant local banking markets by purchasing large market shares instead of competing for them, the same organizations begin to confront each other as the dominant factors in separate concentrated markets all over the state (App. 133–134). This creates a real danger that the dominant banks, not faced with the difficulty of having to compete locally for survival—as would be the case had entry been made *de novo* or by foothold acquisition—will tacitly renounce vigorous competitive practices in the areas in which they operate (App. 141–142); the few state leaders, facing each other in commonly linked oligopolistic markets, will be encouraged to pursue parallel practices in disregard of local competitive conditions (*ibid;* App. 133, 134).[27] "As that condition develops the greater is the likelihood that parallel policies of mutual advantage, not competition, will emerge." *United States* v. *Aluminum Co. of America, supra,* 377 U.S. at 280.

Just such a situation now threatens in Colorado. Seven Colorado holding companies already control more than half of the state's total deposits (J.S., App.

[27] See also Elinor Harris Solomon, *Bank Merger Policy and Problems—A Linkage Theory of Oligopoly*, Journal of Money, Credit and Banking, p. 323 (1970).

A, p. 35); they own almost half (13) of the 27 most significant banks—those having total deposits in excess of $20 million (PX 125, App. 1157)—outside of Denver. And, but for the institution of government antitrust litigation and the disapproval of other acquisitions by the bank regulatory authorities because of their adverse competitive effects, the degree of statewide concentration would have been even greater.[28]

[28] The largest state-based holding company, United Banks of Colorado, Inc., abandoned plans to acquire the third largest bank in Colorado Springs because the purchase agreement expired during the period that a government antitrust suit to enjoin its consummation was pending (App. 2001–2002). Similarly, Bancorporation's attempt to acquire the second largest bank in Colorado Springs and El Paso County was dropped when the government brought suit (PX 145, App. 1199–1221; DX 54, App. 1764–1793). Its application to acquire the largest bank in Pueblo was rejected by the Federal Reserve Board on competitive grounds (DX 49, App. 1729–1736). And a government civil antitrust action is now pending with respect to its proposed acquisition of the largest bank in Sterling and Logan County (*United States* v. *First National Bancorporation, Inc., and the Security State Banking of Sterling*, D. Col., C–2754, filed Dec. 2, 1970).

Had the foregoing transactions been consummated, the total number of banks outside of Denver with deposits of more than $20 million that would now be controlled by these holding companies, including the instant acquisition, would be 18 out of 27 (see PX 125, App. 1157). Moreover, the state's largest holding companies would have been much closer to the situation in which each was operating with a large market share in each of the State's six most significant banking markets, namely, Denver, Colorado Springs, Pueblo, Boulder, Greeley and Fort Collins. United is now in six of these markets including Colorado Springs in which its foothold entry recently was approved. See n. 9, supra, and J.S., App. A, pp. 35, n. 5. Western is in Denver and Fort Collins (*ibid.*). The fourth largest, Affili-

A recognized authority in state and federal bank regulation has recently written that "the potential competition standard may be the only criterion available to the bank regulatory agencies or the courts by which a trend toward a market dominated by only a handful of banks or bank holding companies may be checked."[29] The trend may develop extremely rapidly.[30] Indeed, in a number of states it has reached

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ated Bankshares, Inc., is in Colorado Springs, Boulder and Greeley (*ibid*). The appellee here, Bancorporation, is in Denver and Boulder, but would have been in all except Fort Collins (*ibid.*). Thus in the five markets outside of Denver in which these holding companies operate, there would have been only three banks with deposits of more than $20 million not already controlled by them—one in Colorado Springs (the lead bank in Central Colorado Bancorporation, Inc.) and two in Pueblo). Compare DX 1, App. 1329–1336, DX 3 App. 1371–1372, and above text at pp. 5–6 with DX 2, App. 1337–1370.

The banks Bancorporation sought to acquire in Pueblo and Colorado Springs are now the largest banks in a recently approved new five-banks holding company (App. 1997–2000; *Mountain Banks, Ltd.*, 58 Fed. Res. Bull. 315). The organization is interested in further expansion, and one of its principal organizers testified that it would not rule out an acquisition of FNB Greeley should it become available (App. 2001).

[29] Frank Wille, then New York Superintendent of Banking and now Chairman, Federal Deposit Insurance Corp., in foreword to Kohn and Carlo, *Potential Competition: Unfounded Faith or Pragmatic Foresight?* (New York State Banking Department, 1970).

[30] Board of Governors of the Federal Reserve System, *Recent Changes in the Structure of Commercial Banking*, 56 Fed. Res. Bull. 195 (1970). As there pointed out, statewide concentration ratios measured by total deposits held by the five largest banking organizations are very high.

The practical enforcement problem in dealing with a trend of acquisitions is especially acute in banking. Under the terms of the Bank Merger Act and the Bank Holding Company Act,

the point where two or three banking organizations together control more than half of the state's total deposits (DX 30, App. 1662–1663). In some states where the concentration has been very intense, there have recently been some signs of deconcentration as new banking organizations have been created. The situation in the banking industry today is therefore at a crucial stage in which the trend could go either toward increased statewide concentration, or toward a more competitive situation.[31]

"There is no reason to think that concentration is less inimical to the free play of competition in banking than in other service industries" (*United States* v. *Philadelphia National Bank, supra,* 374 U.S. at 369). The recent increase in concentration of the banking business in Colorado necessarily is felt in the concentrated local markets, as state-wide firms acquire one important bank after another. Section 7 of the Clayton Act applies equally to large and small banking markets (cf. *United States* v. *Phillipsburg National Bank, supra,* 399 U.S. at 357–358). In determining the effect of the present acquisition upon competition in the Greeley Area, the broader context in which the

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the government must commence antitrust proceedings against an approved bank merger or holding company acquisition within 30 days of the approval. See 12 U.S.C. 1828(c)(6) and 1849(b). By the terms of the statutes, the government does not have the option, available in other industries, to take appropriate remedial action at some later time to undo mergers which subsequently appear to have been part of an anticompetitive trend.

[31] *Recent Changes in the Structure of Commercial Banking, supra,* n. 30.

acquisition took part—the state-wide trend toward concentration—is a significant factor.

The district court, however, declined to consider the state-wide trend toward concentration in evaluating the competitive impact of this acquisition. It held, instead, that Bancorporation was not a potential entrant into the Greeley market, on the basis of testimony by officials of that firm that in fact they would not have entered the market except by the acquisition of FNB Greeley. We argue below that the subjective intent of the acquiring firm is not the proper basis under Section 7 for determining whether it is a potential market entrant. The district court's analysis is further flawed, however, by its failure to recognize that the trend by all the bank holding companies in Colorado, including Bancorporation (see n. 28 *supra*), to enter important local markets made Bancorporation a more visible potential competitor to those banks in the Greeley market and increased the likelihood that it would have entered either by acquiring a smaller bank or by itself attempting to come in independently.

C. The Determination Whether the Acquiring Firm Is a Potential Competitor Depends Upon the Objective Facts Relating to Its Independent Entry Into the Market and Not Upon Management's Subjective Statements With Respect to the Likelihood of Such Entry.

In determining that Bancorporation was not a potential entrant into the Greeley Area, the district court placed principal reliance on testimony by FNB Denver officials that Bancorporation did not intend to enter that market except by acquisition of FNB

Greeley, with its large market share. "The evidence is uncontradicted," it stated (J.S., App. A, p. 49) "that Bancorporation has no intention of entering the Greeley market if this acquisition is disapproved." Although it found that "Bancorporation has the financial capability to enter the Greeley market *de novo*," the court concluded (J.S. App. A, p. 50) that "the practical difficulties, together with the expense, argue against Bancorporation's following this route." ~~novo," the court concluded (J.S., App. A, p. 50) that~~

As this Court has recognized, however, the application of Section 7 to corporate combinations that involve the elimination of potential competition cannot turn on subjective statements ~~of~~ corporate intent. In *United States* v. *Penn-Olin Chemical Co., supra,* 378 U.S. at 175, after a full review of objective evidence showing the capability and incentive of joint venturers to enter a market independently, this Court held: "Unless we are going to require subjective evidence, this array of probability certainly reaches the prima facie stage. As we have indicated, to require more would be to read the statutory requirement of reasonable probability into a requirement of certainty. This we will not do." See also *Federal Trade Commission* v. *Procter & Gamble Co.,* 386 U.S. 568, 580–581.

The proper standard, we submit, for determining whether a firm is a potential entrant into a new market is based upon objective factors: whether, considering the structure of the market, the putative entrant's financial capability to enter independently,

its economic incentive to do so, and the reasonable prospects for making such an entry successful, there exists a basis for entry which would be reasonably acceptable to prudent management, if entry by acquisition of a large market share was not available.

Section 7 is concerned with the prevention of anti-competitive market structures and is designed to cut off trends toward concentration in their incipiency. Business management, by contrast, is necessarily and properly motivated by a purpose to maximize profits. Decisions must be made by bank executives in light of the most immediate profit advantages to their banks; their business judgments do not depend on preserving the industry structure that is most likely to encourage competition.

Thus, management's stated reluctance to enter a market *de novo* or by a foothold acquisition is not a ground for concluding that the firm is not a potential entrant. See *United States* v. *Ford Motor Co.*, 286 F. Supp. 407, 421 (E.D. Mich.), affirmed, No. 70-113, this Term, decided March 29, 1972. Almost always it is easier for a firm to enter a market by purchasing a large existing market share than by engaging in the competitive struggle required for independent entry or expansion through a small "foothold" acquisition; this method of entry has the additional attraction of also removing a significant competitor (*i.e.*, the acquired firm) for the entering firm.

Bancorporation had an announced policy of expanding as rapidly as possible through acquisitions into growth areas which would generate the highest

profits to shareholders (PX 3, App. 513). But, from the standpoint of preserving a competitive market structure, the fact that expansion can be accomplished by more profitable means is not a bar to or inconsistent with independent entry. *United States* v. *Standard Oil Co. (N.J.)*, 253 F. Supp. 196, 220–223, 227 (D.N.J.). Section 7 reflects the fundamental concept of insuring that the profit motivation in our free enterprise system is directed into procompetitive channels.

If management's subjective preference to maximize profits by entering a market through acquisition rather than independently were deemed controlling, Section 7 could not achieve its purpose of prohibiting all acquisitions whose effect "may be substantially to lessen competition." It is therefore essential in assessing the role of a potential entrant on the edge of a market that the situation "be viewed functionally in the context of the particular market involved, its structure, history and probable future." *United States* v. *Continental Can Co., supra,* 378 U.S. at 458; *United States* v. *Philadelphia National Bank, supra,* 374 U.S. at 357–358; *United States* v. *Phillipsburg National Bank, supra,* 399 U.S. at 360, 365.

Such an objective evaluation not only provides a more accurate barometer for gauging the capabilities of independent entry, but also affords a more realistic reading of the potential entrant's impact on the conduct of those firms already in the market under scrutiny. *See, e.g., Ford Motor Co.* v. *United States, supra; United States* v. *Penn-Olin Chemical Co., supra.* Ordi-

narily, firms in the market will be aware of objective factors bearing on the economic incentive of others to enter, and the financial capacity of such firms to do so. But they will not be aware of the relative profit advantages to an outside firm that bear on management's determination whether to enter independently, or by acquisition, or not to enter at all. And even if the outside firm publicly announces a preference for expansion by acquisition, experience teaches that such decisions are not immutable. See Pitofsky, *Joint Ventures Under the Antitrust Laws: Some Reflections on the Significance of Penn-Olin*, 82 Harv. L. Rev. 1007, 1024 (1969).

There is yet another reason for using objective rather than subjective criteria in resolving potential competition cases. Under the approach of the district court, the competitive status of a firm on the edge of the market depends essentially on the trial court's evaluation of the sincerity of statements by that firm's management that independent entry is not a feasible alternative to entry by acquisition of a bank with a large market share. This introduces a highly uncertain factor into the administration of Section 7.

Management officials, who naturally attempt to justify their corporate decision to enter a market by acquisition, are often unable to give disinterested, retrospective testimony about what their corporation would have done if it had not been able to consummate the acquisition. Moreover, experience has shown that when an anticompetitive bank acquisition is blocked by antitrust or other regulatory authority, the acquir-

ing firm may turn to a more competitive method of market entry that it originally concluded it would not pursue. In our growing economy, banking organizations have strong economic incentives to expand into new markets, and where they cannot do so by acquisition of a local leader in the relevant market, they often are willing to do so by *de novo* entry or foothold acquisition.[32]

This has happened in Colorado. Bancorporation's application for Federal Reserve Board approval to acquire Exchange National Bank, a large downtown institution in Colorado Springs, characterized entry *de novo* or by a small foothold acquisition as "imprudent."[33] But after this acquisition was abandoned in the face of a government antitrust suit, n. 28, *supra,* Bancorporation applied for approval of a small foothold acquisition in the Colorado Springs market, which it justified "inasmuch as Bancorporation was forced to cancel its agreement to acquire the Exchange National Bank of Colorado

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[32] Banks' incentive to expand is demonstrated by nationwide data which show that the rate at which the number of local banking offices increases is highest in states with the fewest restraints on the opening of new banking offices (DX 33–34, App. 1671–1687). See also Board of Governors of the Federal Reserve System, *Recent Changes in the Structure of Commercial Banking*, 56 Fed. Res. Bull. 195, 205–208 (1970); Vernon, *Regulatory Barriers to Branching and Merger and Concentration in Banking Markets*, 37 The Southern Economic Journal 349 (1971).

[33] Application to the Board of Governors for Prior Approval of Acquisition by Bancorporation of the Exchange National Bank, pp. G-21—G-23 (March 2, 1970).

Springs * * *."[34] Similarly, United, the state's largest holding company, agreed to acquire a much smaller bank in Colorado Springs after its attempt to enter that city by buying its third largest bank was abandoned in the face of a government antitrust suit (App. 2001–2002).[35] There has been the same behavior in other states,[36] and in other industries as well.[37]

[34] Application to the Board of Governors for Prior Approval of Acquisition by Bancorporation of the East Colorado Springs National Bank, pp. 10, 46, 72–73. The Board approved this application on April 25, 1972.

The abandoned acquisition involved a major bank with June 1970 deposits of $52.3 million, which were 19.5 percent of total Colorado Springs deposits, while the foothold acquisition Bancorporation subsequently proposed involves a bank with $7.4 million in deposits, constituting only 2.5 percent of the city's total (PX 147, App. 1225).

[35] The Federal Reserve Board approved this application on December 7, 1971, 58 Fed. Res. Bull. 58.

[36] A recent study of proposed bank acquisitions in New York that the state banking authority prohibited in order to preserve the potential competition of the acquiring bank shows that in ten of thirteen cases between 1961 and 1963, the applicant then entered the market involved independently or by a smaller acquisition. Kohn & Carlo, op. cit., *supra*, n. 29.

Experience elsewhere is similar. In Florida, four of the state's largest banks were barred from combining under a common holding company. Each bank then formed its own holding company and the four banking organizations now compete directly with each other. See Salley, *A Decade of Holding Company Regulation in Florida*, Federal Reserve Bank of Atlanta, Monthly Review, (July 1970). In Connecticut, a proposal to combine the state's largest bank and another large Connecticut bank was abandoned in the face of a government antitrust suit. The unsuccessful acquiring bank has since filed two applications for *de novo* entry and a proposal for a smaller acquisition which would bring it into three communities in the market area of the bank it proposed to acquire. See *American Banker*, February 24, 1971, p. 2.

[37] See Brief for the United States, *United States* v. *Falstaff Brewing Co.*, No. 71–873, this Term.

This economic experience indicates that subjective testimony as to corporate intentions and economic preferences is an unreliable basis for decision under Section 7. Moreover, if such subjective evidence were controlling, it would make the antitrust consequences of an acquisition completely unpredictable to business and government alike. As this Court noted in *United States* v. *Philadelphia National Bank, supra,* 374 U.S. at 362, "unless businessmen can assess the legal consequences of a merger with some confidence, sound business planning is retarded." See also *United States* v. *Topco Associates,* No. 70–82, this Term, decided March 29, 1972, slip op. 13 n. 10.[28]

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[28] Appellees argue (Motion to Affirm, p. 16, n. 16) that "subjective representations are, if true, not merely relevant, they must be conclusive." They rely heavily upon the second *Penn-Olin* case, 246 F. Supp. 917 (D. Del.), affirmed *per curiam* by an equally divided Court, 389 U.S. 308. That affirmance, of course, is of no precedential significance, and there appears to have been no departure from this Court's insistence on objective evidence in *Penn-Olin I* (378 U.S. at 175). Moreover, even accepting *arguendo* the district court's second *Penn-Olin* decision as correct, it is not applicable in this case because there are significant differences between the joint venture involved in *Penn-Olin* and the acquisition involved here. The *Penn-Olin* joint venture for entry into a new market created new actual competition which may have had a significant deconcentrating and procompetitive effect. But see Pitofsky, op cit., *supra*, p. 32, at 1030–1062. In contrast, the market extension merger in this case simply substitutes one competitor for another and thus has no potential deconcentrating effect whatever. Instead, the acquiring firm's potential for future deconcentration and its actual influence on the market as a potential competitor are both permanently lost. Cf. *Penn-Olin I, supra; United States* v. *Procter & Gamble, supra; Ford Motor Co.* v. *United States, supra.*

For these reasons, we submit that the fundamental determination in potential competition cases cannot depend upon management's stated economic preferences as between independent entry and entry by acquisition, but must be based on an objective appraisal of the factors bearing on whether independent entry is preferable to no entry at all for a firm with the potential entrant's capabilities and incentives. The basic question is whether, considering all the circumstances, independent entry in the future is a reasonable choice for prudent management if entry by large acquisition is not available. Where a concentrated market is growing, and profit expectations in it are good, an outside firm with the legal, technological and financial capability to enter must be viewed as a potential entrant if it would be reasonable for it to enter independently or by a foothold acquisition. Such a firm serves both as a future source of deconcentration and as a restraining influence on existing competitors.[39]

D. Bancorporation Is a Significant Potential Entrant Into the Greeley Banking Area.

Under the objective criteria we have outlined, Bancorporation is a significant potential entrant into the Greeley banking market because (1) the Greeley Area

[39] There may be other beneficial effects from preserving the firm as a potential entrant, such as the creation of a new competitor. Two banks which Bancorporation unsuccessfully sought to acquire in Pueblo and Colorado Springs are now the largest banks in a recently formed holding company which may compete with Bancorporation and other Colorado holding companies in entering the Colorado banking markets (app. 1997–2000; see n. 28, *supra*).

has been undergoing substantial economic growth which makes it an attractive place for investment; (2) Bancorporation is one of the few firms that has the ability to enter as a substantial competitor in the market; and (3) Bancorporation has shown substantial interest in expanding into such local markets. Finally, (4) the fact that a bank regulatory official testified that he would not now charter a new bank in the Greeley Area does not undermine the conclusion, compelled by the objective evidence, that Bancorporation is a potential entrant into that market.

1. *The Greeley market is attractive to new entry.* In the decade of the 1960's, the Greeley Area had undergone rapid and expansive development. Its population increased 30 percent; its total personal income rose from $119.5 million in 1959 to $212 million in 1968, accompanied by a shift from a predominantly agricultural to a more mixed economy; and its gross sales increased by 281.8 percent (see Statement, *supra* at pp. 8–9). At the time Bancorporation made the acquisition, the Eastman Kodak Company was locating a national industrial facility in Windsor, just outside the Greeley Area, which would have a significant affect on the economy of Windsor, Greeley and the neighboring towns. The banks doing business in the area were all profitable (App. 453–455, 462).

The Greeley Area was, therefore, in the words of the government's expert witness, a market which "would be attractive to outside banks" (App. 73).

2. *Bancorporation is one of the few firms that has*

the ability to enter the Greeley market in a meaningful way. Bancorporation, the state's second largest holding company, was one of three large Colorado banking organizations with the legal capacity, financial capability, and economic incentive to enter the Greeley Area independently or by a foothold acquisition and have a substantial impact on competition in the market.

Two of the state's seven holding companies, United and ABC, already controlled four institutions in Greeley, accounting for 60 percent of the area's total deposits. A third, Western Bancorporation, is barred from future expansion in Colorado as an out-of-state firm. 12 U.S.C. 1842(*d*). Of the three remaining holding companies (other than Bancorporation), only Colorado CNB Bankshares, with combined deposits of $281.3 million, and First Colorado Bankshares, with combined deposits of $120.4 million, have sufficient assets to be capable of meaningful *de novo* or foothold entry.[40] The other organization, Central Colorado Bancorporation—has combined deposits of only $36 million and is too small—smaller indeed than the acquired bank—to be a significant entrant. (Statement, *supra*, n. 14).[41]

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[40] Colorado CNB bankshares has recently applied for a new charter in Greeley (Motion to Affirm, p. 23).

[41] Bancorporation's contention that there are many potential entrants into the Greeley market is not well taken. It is based apparently on the fact that although 64 new banks opened in Colorado between 1960 and 1970, only ten of them were organized by persons associated with the state's six largest banking organizations (Motion to Affirm, p. 19). These small banks, however, often operated for the most part by inexperienced

Bancorporation's capability to enter the Greeley Area independently is undisputed (J.S., App. A, p. 50). Moreover, its lead bank (FNB Denver) has organized *de novo* banks in the Denver suburbs, as the population has shifted to those areas; it has not ruled out future expansion of this kind (App. 286; PX 4, App. 536; PX 6, App. 561–564).[42]

3. *Bancorporation has shown substantial interest in expanding into new markets.* Bancorporation had for some time manifested substantial interest in expanding its operations. As noted earlier, it had filed six applications between 1969 and 1971 to enter new Colorado

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personnel, cannot provide local banking markets with the same wide range of sophisticated banking services that can be provided by a large and experienced organization such as Bancorporation, as Bancorporation's own witness pointed out (App. 294.) See Board of Governors of the Federal Reserve System, *Recent Changes in the Structure of Commercial Banking*, 56 Fed. Res. Bull. 195, 197 (1970). Nor can penetration of a new market by such small institutions—frequently mere shopping center offices—furnish the same competitive impact as a large new entrant.

[42] Bancorporation suggests that, despite its size and resources, it should not be deemed a significant potential entrant in view of the experience of two other large holding companies, United and Western, both of which lost market shares upon entering new markets (Motion to Affirm, pp. 19–23). But not one of the seven instances of "unsuccessful" entry cited by Bancorporation involved a *de novo* entry by United or Western. Each involved the acquisition of a bank which, like FNB Greeley, was a market leader in its local area at the time it was acquired by the holding company. Thus, far from showing that large organizations are incapable of meaningful competitive entry, the examples cited by Bancorporation demonstrate, instead, that the acquisition of local market leaders by such large banking institutions is not likely to make the acquired bank a more aggressive competitor (see discussion *infra*, pp. 51–52).

banking markets by acquisition (see nn. 9 and 28, *supra*, and accompanying text at pp. 7–8 *supra*). It had been particularly active in and around the Greeley Area.

Its lead bank, FNB Denver, which operated a loan production office in that area, had made a number of large loans there and had solicited trust business in the community (Statement, *supra*, p. 11).[43] In addition, Bancorporation had actively considered entry into neighboring Loveland [44] by converting a small industrial bank there to commercial operations (PX 6, App. 563–564).[45] It had also conducted negotiations to purchase a small bank in Windsor, a town fifteen miles from the City of Greeley, but it terminated these discussions about the time that FNB Greeley became available (PX 24, App. 1324; see also PX 6, App. 539–542; PX 41, App. 1036–1037).

4. *Bancorporation is a potential entrant into the Greeley market despite the testimony of a banking*

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[43] See generally, Turner, *Conglomerate Mergers and Section 7 of the Clayton Act*, 78 Harv. L. Rev. 1313, 1375.

[44] Loveland's population growth over the past decade was substantial, but it was only roughly half that of Greeley's in absolute numbers (DX 6, App. 1376–1378). Moreover, in terms of the ratio of banking officers to population, Loveland, with three offices and a ratio of 5,406 persons per office, was a more crowded market than Greeley, with its ratio of 6,484 persons per office (compare DX 2, App. 1337–1370 with DX 6, App. 1376–1378).

[45] A former industrial bank, which has already been converted to a commercial bank, also serves Greeley. A Bancorporation witness testified that this institution, State Bank of Greeley, was unavailable because its owners insisted on unreasonable terms (App. 298); one of the principals of that bank, however, has died (App. 299).

official that he would not recommend the chartering of a new bank in that area. The Regional Administrator of National Banks, who would recommend to the Comptroller of the Currency whether to charter a new national bank in the Greeley Area (App. 341), testified that he "could not see a need of a new national bank in Greeley" (App. 330) "in the foreseeable future," which he considered to be "upward to five years" (App. 330). On the basis of this testimony, the district court concluded (J.S., App. A, p. 50) that "[a]pproval of a national charter by the Comptroller of the Currency" was "unlikely." The court also stated that there was "[t]estimony from the State Banking Commissioner indicat[ing] that a new state charter would not be granted, because the growth of the area would not justify it" (J.S., App. A, pp. 49–50). In fact, however, the State Banking Commissioner refused to express any opinion in his testimony with respect to whether he would authorize a new bank in the Greeley area, since no application therefor was then pending (App. 490–493).

There is serious question whether the evidence of the Regional Administrator of National Banks is admissible on such a question. This was at best an "advisory opinion," not based on concrete facts presented by a specific application. An opinion expressed in such circumstances is peculiarly unreliable, since it may be subject, consciously or unconsciously, to pressures of one sort or another; and such pressures may well be exactly the opposite of those which would be present when an actual application made on behalf of

a bank was under consideration. Moreover, the hypothetical opinion was expressed by the Regional Administrator of National Banks, a subordinate official, who does not make the actual decision. That is made by the Comptroller of the Currency.

The attitude and policies of regulatory authorities can and do change. The fact that the Regional Administrator saw no need for an additional bank in Greeley when he testified in this case does not mean that he would reach the same conclusion at some future time. Nor is it certain that even if he so recommended, the Comptroller of the Currency would accept the recommendation (App. 332–333). Moreover, conditions in local banking markets do not remain static, and changes may indicate the need for an additional bank tomorrow where none exists today.

In any event, the question whether there might be a potential entrant should be determined on the basis of the actual geographic, demographic, and economic facts. Those facts show, as we have indicated, that Bancorporation is a potential entrant into the Greeley Area; certainly they do not establish that Bancorporation is not a potential entrant. A potential entrant is a significant factor with respect to a market as long as there is a reasonable basis on which it might be authorized to go into the market. The threat that a regulator may allow entry is a factor tending to restrain those already in the market, as the defendant's expert testified (App. 266–267).

For these reasons, the testimony of officials of regulatory agencies as to the recommendations they might make to their superiors concerning the chartering of a

new bank is an inadequate basis for a judicial determination whether the acquiring firm would be likely to obtain regulatory approval if it sought independently to enter the market. Whether the Comptroller of the Currency would be "unlikely" to approve a new national bank in the Greeley area, as the district court concluded, depends rather upon all the factors as they may exist at the time such application is made.

Where, as in the present case, the market is not overbanked—*i.e.*, it is growing and the existing banks are profitable—the regulatory decision on whether to authorize a new bank should turn upon the need of the community for additional banking services and not the wish of the existing banks to be protected against further competition. To assume that in such circumstances the regulatory authorities would not permit a new bank in the Greeley area would be at odds with the policy reflected in Section 7 of the Clayton Act that "corporate growth by internal expansion is socially preferable to growth by acquisition" (*United States* v. *Philadelphia National Bank, supra*, 374 U.S. at 370). The application of this policy to the Greeley market would be particularly likely in view of the trend in Colorado of bank acquisitions by holding companies; the regulatory authorities would not be oblivious to the fact that the alternative to permitting Bancorporation to organize a new bank in Greeley might be its acquisition of a substantial existing bank there, with the undesirable anticompetitive consequences described in this brief.[40]

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[40] Another factor indicating the inappropriateness of judicial reliance upon the kind of speculative prediction the Regional

Moreover, the approval of the Comptroller of the Currency was not necessary to the making by Bancorporation of a foothold entry through the acquisition of one of the smaller banks in the Greeley area. Such an acquisition would be within the exclusive jurisdiction of the Federal Reserve Board. *Whitney National Bank in Jefferson Parish* v. *Bank of New Orleans & Trust Co.*, 379 U.S. 411. There were three such banks available: a small commercial bank in the City of Greeley (State Bank of Greeley), and two small banks in the neighboring towns of La Salle (Platte National Bank) and Eaton (Eaton Bank) (J.S. App. A, pp. 32–33).

E. The Effect of the Acquisition May Be Substantially To Lessen Competition in the Greeley Area.

Section 7 of the Clayton Act prohibits any acquisition whose effect in the relevant market "may be substantially to lessen competition." The Bank Holding Company Act of 1956, as amended in 1966, 12 U.S.C. 1849(c), provides that the district courts, in deciding cases brought under Section 7 of the Clayton Act challenging bank holding company acquisitions, shall apply the same standard that the Act requires the Board of Governors of the Federal Reserve Sys-

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Administrator made in this case is that bank regulatory statutes are primarily aimed at preventing bank failures (see *United States* v. *Philadelphia National Bank*, *supra*, 374 U.S. at 326–329). Regulatory policies controlling entry necessarily also stress this factor (App. 329). There is no suggestion in this case, however, that the authorization of a new bank in Greeley would cause any of the existing ones there serious financial problems, let alone failure, and the Regional Administrator himself declined to suggest that consequence (App. 334).

tem to apply in considering such acquisitions. That standard (12 U.S.C. 1842(c)) prohibits the Board from approving any acquisition—

> * * * whose effect in any section of the country may be substantially to lessen competition, or to tend to create a monopoly, or which in any other manner would be in restraint or [47] trade, unless it finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

In every case, the Board shall take into consideration the financial and managerial resources and future prospects of the company or companies and the banks concerned, and the convenience and needs of the community to be served.

This is almost the same language that Congress used in the Bank Merger Act of 1966 for determining the legality of bank acquisitions subject to the regulatory jurisdiction of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. It was subject to extensive Congressional consideration during the enactment of the Bank Merger Act; the similar language was adopted in the amendments to the Bank Holding Company Act several months later without any substantial discussion. Congress obviously intended the virtually identical language it used in the Bank Holding Company Act to

[47] So in orginal.

have the same meaning as the language it previously had used in the Bank Merger Act. Accordingly, this Court's decisions interpreting the Bank Merger Act (see, *e.g.*, *United States* v. *Phillipsburg National Bank, supra,* 399 U.S. at 357–358; *United States* v. *First City National Bank of Houston, supra; United States* v. *Third National Bank in Nashville, supra*) also govern the Bank Holding Company Act.

Under either statute, "[t]he task of the district courts [is] to inquire *de novo* into the validity of a bank merger approved by the relevant bank regulatory agency to determine, first, whether the merger offend[s] the antitrust laws and, second, if it [does], whether the banks ha[ve] established that the merger [is] nonetheless justified by 'the convenience and needs of the community to be served.'" (*United States* v. *Third National Bank in Nashville,* 390 U.S. 171, 178.) "To weigh adequately one of these factors against the other requires a proper conclusion as to each" (*id.* at 183).

As we read the opinion of the district court in the present case, its only holding was that the government had not shown an anticompetitive effect. The court did not attempt to determine whether, if there were such effect, the acquisition nevertheless should be upheld under the community "convenience and needs" standard. Although the court discussed appellees' contentions with respect to alleged benefits of the acquisition, this analysis related to the court's conclusion that this acquisition was not anticompetitive. Accord-

ingly, if the Court agrees with us that this acquisition had the anticompetitive effects condemned by Section 7, the case must be remanded to the district court to consider the "convenience and needs" defense. Cf. *Nashville Bank, supra,* 390 U.S. at 192; *United States* v. *Phillipsburg Bank, supra,* 399 U.S. at 369–370, 372–373.

1. *The Greeley market is highly concentrated.* At the time of the proposed acquisition, the three largest of the six banking organizations operating in the Greeley area—ABC, FNB Greeley and United—together had 98.2 percent of total deposits in the city of Greeley and 92 percent of deposits in the Greeley Area. Greeley's banking structure therefore was even more concentrated than the small market involved in *United States* v. *Phillipsburg National Bank, supra,* 399 U.S. at 366–367. The bank to be acquired (FNB Greeley) was not only the second largest in the area, with 33.9 percent of the city's total deposits and 31.8 percent of total deposits in the area, but was the only major bank there not under the control of any of the state's seven bank holding companies. See the Statement, *supra,* pp. 10–11.

Bancorporation seeks to avoid the significance of this market concentration by pointing to data that the number of banks in Greeley was, at the time of the proposed acquisition, similar to the number of banks in communities of similar size throughout the country (see Motion to Affirm, pp. 13–16). It relies upon the opinion of its expert witness that the relationship between concentration as measured by market shares,

on the one hand, and probable competitive effects, on the other, is very tenuous" (App. 444–449).

But this Court has consistently rejected any such comparison as a measure of banking concentration in Section 7 cases. Instead, it has treated market share figures as fundamental to a determination of anticompetitive effects. See *United States* v. *Philadelphia National Bank, supra,* 374 U.S. at 363; *United States* v. *Phillipsburg National Bank, supra,* 399 U.S. at 366–367.

A test for banking concentration in a particular market based on a comparison with the prevailing number of banks in cities of similar size would tie the Section 7 determination to a national average that bears only remotely on the central question under the antitrust statute, without due regard for the economic structure of the specific local market involved. To the extent that high concentration is the rule rather than the exception, the effect would be essentially to preserve existing concentration, and Congress' purpose to change that condition in banking, as well as other industries, could never be achieved. Moreover, it cannot be assumed, as Bancorporation contends that the data on which it relies reflect bank regulators' views as to that ratio of bank institutions to population that is necessary for achievement of optimum economies of scale. As noted in *United States* v. *Philadelphia National Bank, supra,* 374 U.S. at 324–330,

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" Bancorporation's expert expressed similar views as a witness for the defendant banks in the *Phillipsburg* case. See Appendix Volume 1, pp. 500–506, 522–528, No. 1093, October Term, 1969.

bank regulation is primarily concerned with preserving bank solvency, not with the optimum competitive structure.

2. *The acquisition of FNB Greeley by Bancorporation may substantially lessen competition by eliminating Bancorporation as a significant potential competitor in the Greeley market.* The district court held that to prove a violation of Section 7 the government had to show that the effect of the acquisition "would be substantially to lessen competition" (J.S., App. A, p. 47), and it concluded that the government had not sustained its allegations that the acquisition "has the effect substantially to lessen competition" (*id.*, p. 61). That, of course, is not the test under Section 7.

The statute condemns acquisitions whose effect "may be" substantially to lessen competition, and the government is not required to show either that that "would be" its effect or that it "has" that effect. It need show only a "reasonable likelihood" (*United States* v. *Penn-Olin Chemical Co., supra,* 378 U.S. at 171) or "reasonable probability" (*id.*, p. 175; *United States* v. *Von's Grocery Co.,* 384 U.S. 270, 285 (Mr. Justice Stewart, dissenting)) that the acquisition would have that effect, that it "tended to lessen competition" in the area (*United States* v. *Third National Bank in Nashville, supra,* 390 U.S. at 183). Section 7 "look[s] not merely to the actual present effect of a merger but instead to its effect upon future competition" (*United States* v. *Von's Grocery Co., supra,* 384 U.S. at 277).

The effect of the proposed acquisition here may be substantially to lessen competition in the Greeley banking area. That market is highly concentrated: the three leading banking organizations have more than 90 percent of the business. The presence at the edge of such a concentrated market of a substantial firm that is a potential entrant is an important factor that tends to make the firms in the market more competitive and to inhibit their anticompetitive behavior. See, *supra*, pp. 20–23. As this Court recognized in *United States* v. *Penn-Olin Chemical Co., supra*, 378 U.S. at 174:

> * * * Nevertheless, "[p]otential competition * * * as a substitute for * * * [actual competition] may restrain producers from overcharging those to whom they sell or underpaying those from whom they buy * * *. Potential competition, insofar as the threat survives [as it would have here in the absence of Penn-Olin], may compensate in part for the imperfection characteristic of actual competition in the great majority of competitive markets."

Bancorporation's acquisition of FNB Greeley would eliminate the mediating effect upon competition that the acquiring firm is able to exert as long as it remains a potential entrant. Since, moreover, the acquisition would merely change the ownership of FNB Greeley, it would not introduce any new competitive factor into the market. The elimination of potential competition in this instance, therefore, would

have a more serious anticompetitive impact than exists when two potential entrants combine to enter a market through a joint venture. In the latter situation, the loss of potential competition is counterbalanced by the creation of a new firm that actually enters the market. Cf. *United States* v. *Penn-Olin Chemical Co., supra,* 378 U.S. at 170, 172–174.

A further anticompetitive effect of this acquisition is that it would bring under holding company control the only one of the three principal banks in the Greeley area that is now an independent local entity. A single large independent bank is more likely to engage in vigorous competition if it is not one of those firms controlled by holding companies, which themselves are in similar competitive situations in many markets throughout the state. See, *supra,* pp. 23–24. The acquisition therefore would change the present market structure, with whatever competitive vigor a large independent provides against holding company-controlled banks, to one in which traditional oligopolistic patterns of mutual accommodation rather than vigorous competition are likely to emerge.

Appellees argue (Motion to Affirm, pp. 25–26), however, that they would make FNB Greeley a more vigorous and efficient competitor (App. 464–465). But possible improvements in banking service that might result from the acquisition are to be considered under the "convenience and needs" defense (see, *supra,* pp. 46–47); they are not relevant in determining whether there is a violation of Section 7. *United States* v. *Phillipsburg National Bank,* 399 U.S. at

367–368. In any event, appellees' anticipated improvements are not borne out by the results of the acquitions of leading local banks in other areas by two bank holding companies (*supra,* n. 42).

The district court did not find that Bancorporation's acquisition would make FNB Greeley a more aggressive competitor, but only that it was unlikely that the acquisition would make it less aggressive (J.S., App. A., p. 50). Moreover, other bankers in the Greeley Area apparently were skeptical that the acquisition would make FNB Greeley a more vigorous competitor; they indicated that they preferred to have Bancorporation enter by taking over an established bank rather than by organizing a new one. As the president of the State Bank of Greeley explained in supporting the acquisition (DX 68, App. 1814): "We are very much opposed to a *de novo* bank commencing business in Weld County at the present time. Despite the projected population growth, the present banks can satisfactorily accommodate the needs of the Community for the foreseeable future. A de novo bank does not bring in new deposits, but instead draws funds from other banks."

Finally, the acquisition would eliminate the possibility for deconcentration of the market that would result if Bancorporation either entered the market independently or through a foothold acquisition of one of the small banks in Greeley. If Bancorporation took either of the latter steps, it would be required to compete vigorously to obtain a significant share of the market. On the other hand, there is every reason to

believe that, if each of the three leading banks in the Greeley Area is owned by a holding company, the existing concentrated structure of the market will continue indefinitely or, indeed, may become more concentrated.

One of the major concerns of Congress in amending Section 7 of the Clayton Act in 1950 was to stem the rising trend of concentration in American business. *United States* v. *Philadelphia National Bank, supra,* 374 U.S. at 362–363; *United States* v. *Penn-Olin Chemical Co., supra,* 378 U.S. at 170–171; *Brown Shoe Co.* v. *United States, supra,* 370 U.S. at 331–332. Because of the central role banking plays in the American economy, the prevention of concentration in that industry is of particular sigificance. The acquisition of FNB Greeley by Bancorporation would eliminate any possibility for deconcentration that now exists in the highly concentrated Greeley market, and would further the anticompetitive tendencies that are inherent in the market. The effect of the merger "may be substantially to lessen competition" there, in violation of Section 7.

A local geographic market such as the Greeley Area is plainly entitled to the benefit of this standard. See, *e.g., United States* v. *Phillipsburg National Bank, supra.* Similarly where, as here, the particular acquisition challenged is part of a statewide trend toward concentration, that trend is necessarily relevant to a proper evaluation of the effect that the acquisition "may tend" to have upon competition. *United States* v. *Brown Shoe Co., supra,* 370 U.S. at 317; *United*

States v. *Pabst Brewing Co., supra*, 384 U.S. at 551–552. Since entry by out-of-state firms is barred by law, if all the local banking markets in a state should become dominated by the same few firms, bank customers would no longer have a meaningful alternative to the banking policies of the acquiring companies; the safeguard against possible exploitive conduct that inheres in the availability of alternative banking markets in the state disappears once those markets become dominated by the same firms.[19] The state of Colorado is an area of the country which has competitive significance in banking, and comes within the area protected by Section 7 (see *United States* v. *Pabst Brewing Co., supra*). Thus, in this case, the district court should have considered the acquisition's effect on future competition both in the Greeley Area and in the State of Colorado.

II. THE ACQUISITION MAY SUBSTANTIALLY LESSEN COMPETITION IN CORRESPONDENT BANKING IN COLORADO

Bancorporation's acquisition of FNB Greeley would have another anticompetitive effect; the foreclosure of the acquired bank as a customer for correspondent banking services in Colorado.

A. Correspondent Banking Is a Line of Commerce and Colorado Is an Appropriate Geographic Market

Correspondent banking, like commercial banking, is

[19] This is substantiated by the testimony of a banker in Greeley who concluded that, if prices for bank services in Greeley should get "out of line," business could be lost to FNB Denver, the acquiring bank (App. 301–302).

a congeries of services clustered around demand deposits; it involves, however, banking services that are provided by large "city" banks to small "country" banks, rather than to the public at large (App. 179, 199, 204–210). In a unit-banking state, such as Colorado, these services are supplied to and through local banks by interbank correspondent relationships; they are generally paid for by the maintenance of "correspondent balances," which are in fact interbank demand deposits (App. 236–237).

The full range of correspondent banking services includes such interbank services as check clearing, international banking, investment advice, personnel acquisition assistance and training, overline loans,[50] and the like (App. 183, 190, 234). Banks offering the complete line of such services tend to be located in the financial and political centers of a state (App. 219–220, 240–242). Moreover, customers for full-range correspondent banking services tend to be limited to "country" banks located in the same state. This is, in part, because it is important to have a primary correspondent familiar with local banking regulations (App. 246). In Colorado, there is the additional reason: state law requires state banks to use a Colorado correspondent as a depository for bonds or other collateral which must be posted as security for deposits of the State Treasurer (J.S., App. A, 57–58).

Correspondent banking is a well-recognized and distinct aspect of the Colorado banking industry (App.

[50] Overline loans are loans made together with another bank that is unable to satisfy its customers' credit needs because of its legal lending limits.

177, 188, 208, 218–219; PX 24, App. 835–837). Of the 227 commercial banks in the state, only three do not have a Denver correspondent (PX 235, App. 1322);[51] and, of the correspondent deposits held by Denver banks, between 60 and 65 percent in each instance are deposited by Colorado banks (PX 203, App. 1301–1302).

While other specialty institutions in the state, such as savings and loan associations and finance companies, provide certain services in competition with commercial banks,[52] they do not compete over the entire range of services. These submarkets are thus "not a basis for the disregard of a broader line of commerce that has economic significance." *United States* v. *Phillisburg National Bank, supra,* 399 U.S. at 360; and see *United States* v. *Philadelphia National Bank, supra,* 374 U.S. at 356–357; *Brown Shoe Co.* v. *United States, supra,* 370 U.S. at 326.

Correspondent banking involves, as the district court found (J.S., App. A, p. 55), "unique production facilities, distinct customers, and specialized vendors."[53] There is, according to the government's

[51] While two Colorado country bankers testified on behalf of Bancorporation that they do not need a Denver correspondent, each in fact has one (App. 375, 379–380).

[52] See App. 189, 219–220, 231. See also App. 177–178, 191–192, 198, 201–202, 209, 378, 507, 508. Such competition is relevant in considering mergers between banks and other types of financial institutions. *United States* v. *Phillipsburg National Bank, supra,* 399 U.S. at 360.

[53] The court, however, found inconclusive the evidence with respect to whether correspondent banking is a distinct product market. It was concerned that there was no evidence that correspondent banking has distinct prices or sensitivity to price

expert witness in this case (App. 234–235), as great a synergistic effect from the clustering of correspondent banking services as from commercial banking services, for such clustering "has economic significance well beyond the various products and services involved." *United States* v. *Phillipsburg National Bank, supra,* 399 U.S. at 361.

These factors, we submit, demonstrate that correspondent banking is an economically significant line of commerce, and that the State of Colorado is an economically significant area for purposes of Section 7. Compare *Brown Shoe Co.* v. *United States, supra,* 370 U.S. at 325, with *United States* v. *Philadelphia National Bank, supra,* 374 U.S. at 357–362; see also *United States* v. *Pabst Brewing Co., supra.*

B. The Acquisition May Substantially Lessen Competition In Correspondent Banking in the State

The effect of the acquisition on the Colorado correspondent banking market would be to further a

changes. (J.S., App. A, p. 55). But this is an excessively rigid attempt to apply the submarket criteria of *Brown Shoe Co.* v. *United States*, 370 U.S. 294, 325. There is no precise price for many services supplied to country banks because compensation usually takes the form of interbank deposits. Moreover, what is significant is not the price interrelationship between commercial banking and correspondent banking, but the customer to whom the services are supplied. The enumerated submarket criteria of *Brown Shoe* are not a fixed list of factors that must be present in every case before there can be a submarket, but only a guide to factors that may identify an "economically significant submarket." See *Reynolds Metals Co.* v. *Federal Trade Commission*, 309 F. 2d 223, 226–229 (C.A.D.C.); *Alex Corp.* v. *Federal Trade Commission*, 420 F. 2d 928, 931–932 (C.A. 6), certiorari denied, 400 U.S. 865.

trend in the state of similar acquisitions of "country" banks by Denver correspondent banks. This trend presently threatens, on the one hand, to eliminate actual competition among the Denver banks supplying correspondent services, and, on the other hand, to erect barriers to the entry into this highly concentrated market of new banks offering a full range of such services.

Bancorporation's lead bank, FNB Denver, is the largest of six offerors of Denver correspondent banking services (see pp. 6–7, *supra*). Its share of Colorado interbank deposits as of August 1970, exceeded 37 percent; the two nearest rivals each had approximately 23 percent (PX 205, App. 1304; App. 247–248; see also PX 204, App. 1303). These three organizations together thus controlled more than 83 percent of the state's interbank deposits (PX 205, App. 1304).

By the end of August 1970, the seven state holding companies, which already owned five of the six correspondent banks, had through bank acquisitions foreclosed approximately 12 percent of the correspondent banking market by joint ownership of both supplier and customer banks (PX 215, App. 1313; App. 257). Bancorporation's acquisition of the National State Bank of Boulder [54] added 2.5 percent to this figure (PX 164, App. 1240–1248; PX 217, App. 1315; App. 257–259), and its acquisition of Security State Bank in Sterling will add another 0.8 percent (PX 217, App. 1315). The acquisition of FNB Greeley would increase the

[54] See n. 9, *supra*.

figure yet another 1.2 percent,[55] making a total market foreclosure of 16.5 percent. Nor does it appear that the Colorado holding companies are content to stop there (see pp. 24–25, supra).[56]

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[55] The 1.2 percent figure includes the interbank deposits of banks already foreclosed by ownership as claimed by Bancorporation (Motion to Affirm, pp. 35–36). The figure excluding Colorado affiliates would be 1.4 percent (PX 217, App. 1315).

[56] Further holding company acquisitions are continuing to foreclose additional market shares (Motion to Affirm, pp. 34–35, n. 27). Bancorporation cites the government's failure to bring suit in these instances as illustrative of an alleged inconsistency between theory and practice; it claims that this "failure" cannot be justified on the ground that the uncontested acquisitions involve smaller banks because, in its view, the smaller banks have a greater need for the services of big banks than do larger banks. But the relative importance of a correspondent account is best measured by its size. While the district court only accepted interbank deposits as a measure of the degree of foreclosure *arguendo* (J.S., App. A, pp. 58–59), all of the objections that have been raised to their use as a measuring rod here would apply equally to the use of deposit figures in testing commercial banking mergers. What is important, in the final analysis, is the total market foreclosure and interbank deposits are sufficient to show that. See *United States* v. *Philadelphia National Bank*, *supra*, 374 U.S. at 356–357.

Bancorporation also contends that the fact that the number of potential customers for correspondent services in Colorado has increased between 1961 and 1970 demonstrates that the market is not "drying up." But, as the President of the most recent entrant into the market (Security National Bank) testified, a correspondent banking account the size of FNB Greeley's is an important one (App. 207–208); if Security National Bank were able to attract FNB Greeley's business it would double its market share. (Compare PX 205, App. 1304 with PX 190, App. 1295). It is, therefore, the foreclosure of these more substantial accounts that creates the major threats to competition.

Foreclosure of the market to competitors by acquisition of a customer may substantially lessen competition in violation of Section 7. *United States* v. *Ford Motor Co., supra; Federal Trade Commission* v. *Consolidated Foods Corp.,* 380 U.S. 592; *Brown Shoe Co.* v. *United States, supra; United States* v. *du Pont de Nemours & Co.,* 353 U.S. 586. Where a trend toward substantial foreclosure is present, acquisitions of relatively small market segments, such as the 1.2 percent here, are significant. See *e.g., Brown Shoe Co.* v. *United States, supra* at 332–334 (2 percent, 1.5 percent and 1 percent);[57] cf. *United States* v. *Aluminum Co. of America, supra* (1.3 percent). The district court held that this principle was inapplicable because it had only been applied in cases involving national, not local, markets (J.S., App. A, p. 60). But this Court has made it clear that the antitrust laws apply with the same vigor in local markets as in the larger areas. *United States* v. *Philadelphia National Bank, supra,* 374 U.S. at 357–362; *United States* v. *Phillipsburg National Bank, supra,* 399 U.S. at 358, 365.

The district court erred (J.S. App. A, p. 60) in considering the FNB Greeley acquisition in isolation, without regard to the trend in Colorado toward foreclosure of the correspondent banking market through large bank holding company acquisitions, including

[57] See also *United States* v. *Kimberley-Clark Corp.,* 264 F. Supp. 439, 446–448 (N.D. Cal.) (2 percent); *United States* v. *Kennecott Copper Corp.,* 231 F. Supp. 95, 105 (S.D. N.Y.) (.76 to 1.0 percent); *United States* v. *Bethlehem Steel Corp.,* 168 F. Supp. 576, 606 (S.D. N.Y.) (1.3 percent).

contemporaneous proposals for additional statewide acquisitions. Such evidence substantiates what must ordinarily be inferred from the evidence of a past trend—*i.e.*, that the trend will continue unless halted.[58] This evidence is relevant to the determination under Section 7 of the Clayton Act whether the particular acquisition under scrutiny may tend substantially to lessen competition in the correspondent banking market in Colorado. Cf. *United States* v. *Von's Grocery Co., supra,* 384 U.S. at 277.

CONCLUSION

The judgment of the district court should be reversed and the case remanded for further consideration under correct criteria.

Respectfully submitted.

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MAY 1972.

[58] See generally n. 28, *supra*, and accompanying text.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-703

Supreme Court, U. S.
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UNITED STATES OF AMERICA,

Appellant,

—v.—

FIRST NATIONAL BANCORPORATION, INC.,

and

THE FIRST NATIONAL BANK OF GREELEY.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

BRIEF FOR THE FEDERAL DEPOSIT INSURANCE CORPORATION AS *AMICUS CURIAE*

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IN THE

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—v.—

FIRST NATIONAL BANCORPORATION, INC.,

and

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ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

BRIEF FOR THE FEDERAL DEPOSIT INSURANCE CORPORATION AS *AMICUS CURIAE*

Interest of the FDIC

The Federal Deposit Insurance Corporation ("FDIC") nsures deposits in all national banks, in all state banks hich are members of the Federal Reserve System, and n all nonmember state banks which apply for federal eposit insurance and meet appropriate standards. It has pecific supervisory responsibilities, however, only with espect to federally insured state banks which are not nembers of the Federal Reserve System. These responsi-ilities include, among other things, the periodic examina-ion of such banks and the approval or disapproval of

applications for mergers, consolidations, acquisitions, and assumption transactions between insured banks where the acquiring, assuming or resulting bank is to be an insured nonmember state bank. The Comptroller of the Currency exercises similar functions with respect to national banks and the Board of Governors of the Federal Reserve System fills the same role with respect to state banks that are members of the Federal Reserve System. In addition, the FDIC is responsible for approving or disapproving merger-type transactions between any insured bank and a noninsured bank or institution. Of the 14,273 banks in the United States at the end of 1971, the FDIC had specific supervisory responsibility for 7,875 state-chartered commercial banks not members of the Federal Reserve System and 326 mutual savings banks. Since the effective date (May 13, 1960) of the Bank Merger Act, 74 Stat. 129, as amended, 80 Stat. 7, 12 U.S.C. § 1828(c), the FDIC, through December 1971, has passed on 546 applications for mergers or other proposals falling within the purview of that Act.

In carrying out its responsibilities under the Bank Merger Act, the FDIC must apply standards that are identical to those contained in Section 3(c) of the Bank Holding Company Act of 1956, 70 Stat. 134, as amended, 80 Stat. 237, 12 U.S.C. § 1842(c). The latter, and Section 7 of the Clayton Act, 38 Stat. 731, as amended, 64 Stat. 1125, 15 U.S.C. § 18, are the principal statutes involved in this proceeding.

The FDIC does not supervise First National Bancorporation, Inc., its principal subsidiary, First National Bank of Denver, or First National Bank of Greeley, and it has had no recent application involving banking markets in the State of Colorado that required an FDIC decision

der the Bank Merger Act. FDIC accordingly has no nments to offer regarding the facts involved in this gation and is not recommending either affirmance or ersal.

The sole interest of the FDIC in this case is that certain nciples relating to potential competition and banking ucture, which it believes are valid and essential if the ited States is to have meaningful competition among nmercial banks in the future, be taken into consideration the Court in the expression of its opinion. Questions ating to these principles are raised in this proceeding t have not heretofore been addressed by the Court in or opinions involving proposed bank acquisitions. The urt's disposition of these questions, and its statements h regard to such questions, will have important impli-ions for future decisions under the Bank Merger Act by h of the federal agencies which administers the Act, luding FDIC, and profound significance for the future ucture of the nation's commercial bank industry.

Summary of Argument

Proposed bank mergers frequently require agency con-eration of several different effects of the proposed nsaction on competition. The primary concern in most nk merger cases considered by the various agencies and this Court since 1960 has been the possible elimination existing competition between the banks proposed to be rged. That issue does not appear to be a major one in s proceeding. This case rests instead on issues of tential competition in the future between the acquiring npany and the bank it seeks to acquire, and on issues

involving the future structure of commercial banking in a particular state.[1]

At least in recent years, the banking agencies have regularly examined the possible elimination of potential competition between two applicants in analyzing bank merger and bank holding company applications. Such an analysis may lead to agency denial of applications to merge or acquire a bank in a particular local market, in an effort to force the applicant organization to consider alternative means of entry and thereby encourage a larger number of competing institutions in that market in the future.[2] Even if only one or two organizations deemed to be significant potential competitors of the local bank become its actual competitors in the future, the choices available to the public for banking services in that market may be significantly enlarged over the choices available at the time the proposed merger or acquisition was denied. The FDIC believes that the banking agencies can and should reach conclusions as to the likelihood that potential competition will become actual competition on the basis of objective criteria and not statements of present intentions by bank management or bank chartering authorities.

In addition to analyzing the possible elimination of potential competition between the parties to a proposed

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[1] For representative opinions by the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the FDIC denying applications at least in part on such issues, see Appendix A.

[2] See the opinions cited in Appendix A, particularly The First National Bancorporation, Inc., 56 Fed. Reserve Bull. 731 (1970); BT New York Corporation, 53 Fed. Reserve Bull. 769 (1967). See also the FDIC opinions reproduced in Appendix A, particularly Continental Bank (FDIC 12/22/71) (p. 52); Westminster Trust Company (FDIC 5/14/71) (p. 39); Bank of Hawaii (FDIC 12/18/70) (p. 59).

acquisition, the FDIC since early 1970 and the Board of Governors of the Federal Reserve System since at least 1962 have reviewed the effect the proposed acquisition may have on the present and future banking structure of geographic areas larger than the areas then being served by the banks involved.[3] For purposes of this review, the relevant geographic area is the largest area in which, under state law, a bank may merge or branch *de novo* or in which a bank holding company may acquire a bank. Since only sixteen states, by affirmative legislation, have prohibited bank holding companies from acquiring banks in different local markets, the larger area typically examined by FDIC for this purpose, as it would be in Colorado, is the entire state.

In such states, a high concentration of statewide commercial banking resources in the hands of a few banks may effectively limit the public's choice of alternative sources for many banking services. It may also reduce the likelihood of future new entrants into local banking markets throughout the state if the largest statewide banks are already represented in such markets. Moreover, in such states mergers of smaller banks with the state's largest banks, even where no substantial existing or potential competition between the two is likely to be eliminated, may also foreclose the development of other banks fully able to compete with those largest banks by denying such emerging competitors opportunities to grow by merger with the same small banks.

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[3] See the opinions cited in Appendix A, particularly The First National Bancorporation, Inc., 56 Fed. Reserve Bull. 731 (1970). See also the FDIC opinions reproduced in Appendix A, particularly First-Citizens Bank & Trust Company (FDIC 1/4/71) (p. 30) on reconsideration (7/12/71) (p. 35); Bank of Hawaii (FDIC 12/18/70) (p. 59); Washington Mutual Savings Bank (FDIC 12/18/70) (p. 70) on reconsideration (7/30/71) (p. 75). (The latter case is in litigation; see p. 85).

In states where statewide branching or merging or statewide holding company acquisitions are allowed, and where a state's commercial banking resources are already highly concentrated, the agencies administering the Bank Merger Act and Bank Holding Company Act must be allowed to check in their incipiency further increases in statewide concentration levels which may arise from acquisition proposals (i) that in and of themselves produce an undue concentration of such banking resources measured on a statewide basis, or (ii) that add to existing high levels of concentration statewide, or (iii) that produce, in separate local banking markets in the state, adjacent oligopolies in which the same large banks are the only convenient alternatives for banking services.

The relevant statutes can and should be interpreted by the banking agencies and the Federal courts to prohibit proposed acquisitions that have these results not merely within the relevant area of existing competition, but also within that area within which banks may branch or merge or in which holding companies may operate, whether or not a specific proposed transaction is likely to eliminate substantial potential competition between the acquiring organization and the bank sought to be acquired.

Finally, it is frequently argued in bank acquisition cases that otherwise anticompetitive transactions should be allowed because the proposed acquisition is the only means by which the applicants can achieve economies of scale and hence provide banking services at lower cost to existing or prospective customers. Existing literature as well as recent studies by the FDIC cast doubt on the view that economies of scale are significant in banking. While there are advantages, other than economies of scale, which large

banks have, these suggest that larger banks should be encouraged to enter new markets *de novo* or by "foothold" acquisitions rather than by the acquisition of a significant competitor already in the market.

I.

In Analyzing Whether Potential Competition Between Two Banks Is Likely to Become Actual Competition, the Likelihood of Alternative Entry Should Be Assessed on the Basis of Objective Criteria.

Reasonable judgments can be made by the banking agencies and the courts as to the likelihood that potential competition between two parties to a proposed acquisition will become actual competition in the future based on objective criteria that in simplified form reduce to two factors: (1) the capacity of either firm to enter the banking market of the other, or some mutually desired third market, by means other than the proposed acquisition; and (2) the attractiveness of the particular market in question. Capacity, in this sense, is essentially a function of size, financial strength and managerial resources and experience. The attractiveness of the market is determined by such considerations as the nature of the local economy, income levels in the market, the number of commercial banks and banking offices serving the market, the vigor of the competition likely to be encountered and the area's growth potential and prospects. Supervisory experience with *de novo* entry or the acquisition of a smaller bank than the one sought to be acquired in the same or similar markets is also relevant to an agency or judicial determination on both points. Each federal bank supervisory agency has

experience with applications for *de novo* entry into new markets by banks under its supervision, either by the establishment of branch offices or by the establishment of newly-chartered affiliates. Each agency has, therefore, some expertise regarding the characteristics of banking markets which attract efforts at entry and as to the capacity of individual banks or banking organizations to effect entry into a given market by means other than a proposed acquisition.[4]

A 1970 study by the New York State Banking Department vindicates the use of objective criteria for analyzing potential competition between two parties to a proposed acquisition. In 10 of 13 cases in which potential competition was, or could have been, utilized as a decisive factor by the bank regulatory authorities in denying a bank merger or a bank holding company application in the State of New York, potential competition eventually became actual competition.[5] Since the FDIC did not deny merger applications prior to 1970 on the basis that potential competition between the parties might become actual competition, too little time has elapsed to determine in how many cases the potential competition involved in mergers denied by the FDIC since 1970 will become actual competition.[6]

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[4] The FDIC, for example, disposed of 647 applications for *de novo* branches (not including 115 applications for *de novo* "facilities", i.e., limited purpose branches) and 169 applications for insurance of newly-chartered state banks during the calendar year 1971.

[5] Kohn and Carlo, *Potential Competition: Unfounded Faith or Pragmatic Foresight?* (N. Y. State Banking Dept. March 1970).

[6] One merger denied by the FDIC during that period tends to support the New York experience. Subsequent to the denial on

II.

The Likelihood of Alternative Entry Should Not Be Decided on the Basis of the Expressed Intent of Management.

The question whether a bank, or bank holding company, is likely to enter a new geographic market if it were not permitted to acquire an established bank in that market should not be resolved on the basis of expressions of present management intentions. Management is charged with the responsibility of maximizing profits. Entering a new market by acquiring a viable bank already operating there may be less expensive and more immediately profitable to the entering bank than entry by *de novo* expansion or by means of a smaller "foothold" acquisition. Entry by acquisition of a leading local bank also removes a significant competitor for the entering firm or one which might become a significant competitor to the entering firm through future expansion moves of its own, either by merger or *de novo* branching. For these reasons, and because of the greater resources and profit potential to be obtained, the acquisition of the largest available bank is usually preferable from management's standpoint. Thus, whenever there appears to be a reasonable chance that entry into a new market can be effected through the acquisition of a large, viable, existing bank, management is likely to pursue that course and, in an advocacy role, to contend that, if denied the proposed acquisition, it would not seek to enter by some alternative means.

September 4, 1970, of a proposed merger between Valley Fidelity Bank and Trust Co., Knoxville, Tennessee, and Bank of Knoxville, the former applied for a *de novo* office, which has been approved; Bank of Knoxville has received approval for and opened three *de novo* offices. All the branches are in the market area shared by the banks.

For their part, the owners of a bank proposed to be disposed of may well favor a merger or holding company acquisition over an outright sale of stock because of tax considerations or the greater marketability of the stock to be acquired. Once that basic decision is made, they would in most cases prefer to be acquired by the firm offering them the highest premium. The bank, or holding company, willing and able to pay the highest premium is typically one of the largest institutions in the potential market—the same institutions best able to enter *de novo* or by some smaller "foothold" entry.

In sum, the self-interest of the owners and managers of both selling and acquiring institutions causes them generally to favor, and argue for, amalgamations that may be the least desirable from the standpoint of encouraging the greatest public choice of banking alternatives within given markets. Deciding the probabilities of alternative entry on the basis of the expressed intent of managers and owners of banks or bank holding companies could seriously frustrate the purposes of the Bank Merger Act and the Bank Holding Company Act, as well as of Section 7 of the Clayton Act. *See* S. Rep. No. 196, 86th Cong., 1st Sess. (1960); H.R. Rep. No. 1416, 86th Cong., 2d Sess. (1960); H.R. Rep. No. 1221, 89th Cong., 2d Sess. (1966); S. Rep. No. 1095, 84th Cong., 1st Sess. (1955); S. Rep. No. 1179, 89th Cong., 2d Sess. (1966); *Brown Shoe Co.* v. *United States*, 370 U.S. 294, 317 (1962).

III.

The Present Intent of a Chartering Authority Not to rmit *De Novo* Entry Should Not Be Treated as Con- sive.

A statement by a chartering authority that it will not horize *de novo* entry should not be regarded as con- sive on the question of alternative entry. First, the rtering authority may change its mind if conditions in market area in question change (or the supervisor, self, may change, with a resulting change in policy).[7] ond, for commercial banks, there are always two pos- e chartering authorities: state or federal. A bank that lissatisfied with the policies of one authority can change status by conversion in order to come under the juris- tion of the other. Third, under most state laws, pros- ts for profitable operations appear to be the key sideration for a favorable finding on a new bank or nch application; the preservation or improvement of l competition is typically not a statutory consideration l appears to receive little attention by state bank super- ors under "public interest" or "public convenience and ds" criteria.[8] Such chartering laws and policies are at

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Since January 1, 1967, there have been 67 appointments of State Bank Supervisors, reflecting multiple changes in some es and at least one change in 39 of the 50 states. Fourteen nges occurred in 1971. In Colorado, the current supervisor been in office since January 1, 1965, and will hold his position ring efficient service or until reaching retirement age." COLO. ST. art. 12, § 13(8).

See, e.g., Comment, 71 *Yale L. J.* 502, 511 (1962); *S. Rep. No.* , 86th Cong., 1st Sess. 1 (1959).

odds with the underlying purposes of the Bank Merger Act and the Bank Holding Company Act, and if the likelihood of alternative entry is resolved on the basis of the present intentions of chartering authorities, then the purposes of both acts, as well as the purpose of Section 7 of the Clayton Act, could be seriously frustrated.

IV.

The Banking Agencies and the Courts May Properly Consider the Likely Impact of a Proposed Acquisition on Future Competition Within a Broader Area Than the Markets Presently Being Served by the Parties to the Acquisition.

In bank acquisition cases, the areas in which the two parties to the transaction may find themselves in competition in the future, if the acquisition does not occur, are only rarely limited to the same areas in which they are offering banking services at the time of the application. This is because state law, rather than the past branching decisions of their managements, defines the locations at which two banking organizations can receive deposits and carry on the full range of banking services. If the banking agencies and the courts are to complete their analysis of whether the effect of a proposed acquisition "in any section of the country may be substantially to lessen competition," they would appear to be required, by statutory direction, to consider the competitive impact of the proposal not merely in the market areas where the two parties presently have offices, but also in the widest geographic area under state law within which the banks may merge, branch *de novo* or have bank holding company affiliates. Cf. *United*

States v. *The Philadelphia National Bank*, 374 U.S. 321, 359 (1963). In the thirty-four states like Colorado where multibank holding companies are not affirmatively prohibited by state law, this relevant geographic area of inquiry would be the entire state.[9] In the remaining sixteen states where multibank holding companies are prohibited by state law, and state law further limits *de novo* branching or merging by commercial banks to some area smaller than the entire state, this relevant geographic area of inquiry would be that smaller area.[10] These areas of inquiry are not always banking markets in economic terms, but they have been made relevant to the competitive analysis by

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[9] *See* COLO. REV. STAT. 1963 § 14-3-1 (1969). Out-of-state holding companies may not expand into Colorado. 12 U.S.C. § 1842(d). Variations in different states are frequently unique. Virginia, for example, with qualifications that are not material here, permits a bank to branch *de novo* only in the city, town or county in which it is headquartered and in a contiguous city, or county; but Virginia does permit the establishment of branches through merger statewide and also permits multibank holding companies statewide. VA. CODE ANN. § 6.1-39(a), (c) (1966). Oregon allows statewide branching by merger, even though a *de novo* branch may not be established in a community with a population of less than 50,000 if an existing bank is headquartered there. ORE. REV. STAT. §§ 714.050, 714.060 (1953).

[10] Pennsylvania, for example, prohibits multibank holding companies, PA. STAT. ANN. tit. 7, § 6003 (1967), but allows commercial banks to branch *de novo* or merge, with appropriate supervisory approval, in their home county and in all counties adjacent to the home county. *Id.* § 904. For the reasons indicated, FDIC attempts to analyze the likely competitive impact of proposed bank mergers in Pennsylvania not merely in the markets currently served by the two banks, but also in the multicounty area around each home office where the two banks can merge or branch *de novo*. In other states, this relevant geographic area of inquiry might be limited to a differently constituted multicounty region or to the home county of one or both parties. *See, e.g.*, IND. STAT. ANN. tit. 18, § 18-1707 (Supp. 1971) (restricting branches to the county in which the bank maintains its principal office); KY. STAT. ANN. § 287.180 (Supp. 1967) (restricting branches to the county in which the bank maintains its principal office).

state law since they define the geographic area of possible future competition between the parties to the proposed acquisition and between such parties and other banking organizations. Cf. *United States* v. *Pabst Brewing Co.*, 384 U.S. 547, 549 (1966).

Restricting this discussion to states like Colorado in which multibank holding companies are permitted to operate statewide,[11] the banking agencies and the courts would appear to be justified in seeking to determine whether a proposed acquisition would have substantial anticompetitive effects on a statewide basis. They may inquire, for example, whether the two parties involved in the proposed acquisition, if the proposed acquisition is denied, are likely to become competitors in some mutually desired banking market within the state in which neither presently operates, and whether the effect of the proposed acquisition "may be substantially to lessen competition" in that market. It is important to preserve the more likely potential entrants when markets are concentrated, as they frequently are in banking. Further, the mere presence of a potential entrant —even though the probability of entry is small—can have important implications for competition. *United States* v. *Penn-Olin Chemical Co.*, 378 U.S. 158, 173-74 (1964). Even where future competition between the two parties to a proposed transaction is found to be unlikely on the basis of objective criteria, or where such competition even if likely would have no substantial anticompetitive effect in any local banking market, the banking agencies and the courts should look beyond the two parties to the transac-

[11] Similar inquiries confined to a geographic area less than the entire state would, however, be relevant in states which bar multibank holding companies but permit countywide, multicounty, or regional branching or merging. See the preceding footnote.

tion to determine if their consolidation or affiliation would have substantial anticompetitive effects on the future structure of commercial banking in the state as a whole.[12]

Thus, they may consider it necessary to deny a particular acquisition in order to prevent or to minimize an undue concentration of the total commercial banking resources of a particular state. A high concentration of statewide commercial banking resources in the hands of a few banks may effectively limit the public's choice of alternative sources for many banking services. It may also reduce the likelihood of future new entrants into local banking markets throughout the state if the largest statewide banks are already represented in such markets. Such a market structure, in which a small number of banks hold large shares of the banking business in each of the several local banking markets that make up the state, is also undesirable because it is conducive to parallel practices and parallel pricing by the existing firms in the market. Consumers of banking service seeking variations in such practices or prices would then be faced with the same alternatives in any other market to which they turned. Moreover, in highly concentrated states, mergers of small banks with the state's largest banks, even where no substantial existing or potential competition between the two is likely to be eliminated, may have the effect of foreclosing the development of other banks fully able to compete with those

[12] It should be noted that the applicable statutory language found in the Bank Merger Act, the Bank Holding Company Act and the Clayton Act does not require a substantial lessening of competition *between the parties to the proposed transaction.* This omission makes possible consideration of any trends toward excessive concentration in the relevant area and consideration of other structural deficiencies which, for example, might inhibit the entry of outside competitors or otherwise restrict competition among commercial banks in the area in the future.

largest banks by denying such emerging competitors opportunities to grow by merger with the same small banks.

In states where statewide branching or merging or statewide holding company acquisitions are allowed, and where a state's banking resources are already highly concentrated, it would seem that the agencies administering the Bank Merger Act and the Bank Holding Company Act and the courts, if they are to prevent a substantial lessening of competition among commercial banks in the state in the future, must be allowed to check in their incipiency further increases in statewide concentration levels which may arise from acquisition proposals (i) that in and of themselves produce an undue concentration of such banking resources measured on a statewide basis, or (ii) that add to existing high levels of concentration statewide, or (iii) that produce, in separate local banking markets in the state, adjacent oligopolies in which the same large banks are the only convenient alternatives for banking services. *See, e.g., United States* v. *Philadelphia National Bank,* 374 U.S. 321, 362 (1963); *Brown Shoe Co.* v. *United States,* 370 U.S. 294, 317-18 (1960); *United States* v. *E. I. du Pont de Nemours & Co.,* 353 U.S. 586, 589 (1957).

V.

Economies of Scale Do Not Justify the Acquisition of a Significant Local Bank by a Larger Potential Competitor.

The argument is frequently made in bank acquisition cases that an otherwise anticompetitive transaction is in the public interest because it allows the applicants to achieve economies of scale, and hence to provide existing or potential customers with banking services at lower cost. *De novo* entry into a new market may, it is argued, fragment banking resources and result in banking activities being carried on at a less efficient scale of operations.

The question of whether economies of scale are sufficient in banking to outweigh the anticompetitive effects of an acquisition should be resolved on the basis of the best empirical evidence available. Numerous studies of economies of scale in banking have been reported in the literature, and the FDIC has carried out several intensive investigations of this issue.

The published evidence indicates that as the size of a single banking *office* increases, it is probable that economies of scale occur. However, as the size of a banking *organization* expands through the acquisition of additional offices, no appreciable economies of scale occur.[13] The implication

[13] See Jack M. Guttentag and Edward S. Herman, "Banking Structure and Performance," *The Bulletin*, Institute of Finance, Graduate School of Business Administration, New York University, No. 41-43 (February 1967), pp. 106-108; David A. Alhadeff, *Monopoly and Competition in Banking* (Berkeley: University of California, 1954); Irving Schweiger and John S. McGee, "Chicago Banking," *The Journal of Business*, XXXIV (July 1961), pp. 203-366; Paul M. Horvitz, "Economies of Scale in Banking," in Commission on Money and Credit, *Private Financial Institutions* (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1963).

of the two conclusions is that consolidation of unit banks into multi-office or multi-bank organizations does not result in significant economies of scale in operations.[14]

Recent FDIC analysis of the 1968 operating costs of a nationwide sampling of 972 banks supports these findings. The FDIC study analyzed seven basic commercial bank services: demand deposits, time deposits, installment loans, business loans, real estate loans, securities investment and safe deposit box services. In the case of servicing demand deposits (a function which accounts in the typical bank for a majority of bank employees and for the largest component of direct costs), with a 10 percent increase in accounts, the cost of servicing such accounts increased only slightly less—9.771 percent. For three other functions—time deposits, installment loan functions and safe deposit box services—no significant economies or diseconomies of scale were found. Economies of scale existed in the three remaining areas: business loans, real estate loans, and securities and investments. For a 10 percent increase in output, costs increased 8.761 percent for business loans, 8.139 percent for real estate loans, and 8.245 percent for securities and investments.

Whether economies of scale are of sufficient magnitude to justify a limit on the number of banking offices in a local banking market requires a determination of how costs are affected when differing numbers of banking offices provide the same total quantity of services in the market. Analyti-

[14] *See* Horvitz, *op. cit.*, p. 52; George J. Benston, "Economies of Scale and Marginal Costs in Banking Operations," *The National Banking Review*, II (June 1965), pp. 507-49. Frederick W. Bell and Neil B. Murphy, *Costs in Commercial Banking: A Quantitative Analysis of Bank Behavior and Its Relation to Bank Regulation, Research Report No. 41*, Federal Reserve Bank of Boston, April 1968.

cal techniques derived from Bell and Murphy's study can be applied to data from the Federal Reserve's 1970 Functional Cost Analysis Program for 665 banks ranging up to $50 million in total deposits in order to determine how different numbers of offices affect the total cost of producing a given quantity of services. The results of this analysis are shown in the table below.[15]

Average Expenses Per $100 of Total Assets in a Local Banking Market With a Capacity of $150,000,000 in Total Assets Given Differing Numbers of Equal-Sized Banks

Number of Banks	Average Total Assets Per Bank	Average Expenses Per $100 of Total Assets
3	$50,000,000	$5.02
4	37,500,000	5.08
5	30,000,000	5.13
6	25,000,000	5.16
7	21,429,000	5.20
8	18,750,000	5.22
9	16,667,000	5.25
10	15,000,000	5.27
15	10,000,000	5.35

The table assumes a local banking market that has a demand for commercial banking services equivalent to total assets in the market of $150 million. Given this level of total resources, the average proportion controlled by any one bank declines as the number of banks increases in the market. The table assumes that each bank is the same size and has the same composition of assets and liabilities as those which exist for the typical bank with less than $50 million of deposits.

[15] The derivation of the table from statistical data available to the FDIC is shown in Appendix B.

The table shows that an increase in the number of banks from 3 to 15 results in a 6.6 percent increase in average and total costs and an increase in the number of banks from 7 to 8 causes only a 0.4 percent increase in average and total costs. This indicates that the loss of economies of scale attendant upon a local banking market when a new bank enters the market is not substantial. In fact, several banks could enter a market the size of that in the table without increasing the total costs of producing banking services in the market substantially.

These results of analysis of economies of scale do not mean that the operations of large banks and small banks are identical. Large banks have several advantages, since the same operating expense ratios as a smaller bank would permit the larger bank to spend more dollars for particular functions and yet show the same degree of profitability. These additional dollars are frequently spent to develop and promote specialized services a smaller institution cannot afford to offer and to advertise and promote its services with greater impact in the market than a smaller bank.

These advantages suggest that a large bank or bank holding company entering a new market *de novo* or by means of a "foothold" acquisition can become a viable and a significant competitive force in that market in a shorter time than a small bank or a newly organized bank which does not have the same resources to help it diversify and to promote its banking services. Since both can apparently offer the same basic banking services at approximately equal efficiency, while the larger firm has an ability to penetrate the market more quickly, it would be conducive to greater public choice and the deconcen-

ation of local banking markets if larger firms were re-uired to make their entry to new markets *de novo* or by ie acquisition of a small and relatively insignificant local ompetitor rather than by acquisition of an institution hich is already a significant competitive factor in the ocal market.

CONCLUSION

The banking agencies and the courts should examine the kely impact of a proposed acquisition on future compe-tion between the parties and on future competition be-veen commercial banks generally, not merely in the anking markets in which the parties operate at the time f application, but also in the widest geographic area nder state law in which the parties are permitted to ranch *de novo,* to merge or to have banking affiliates. n determining the likelihood of increased competition be-veen the parties in the future if the proposed acquisition not consummated, the banking agencies and the courts ould be guided by objective criteria, not the present tentions of bank management or bank chartering au-orities. Considerations of future bank structure in the idest geographic area in which the parties may expand nder state law may well lead to the denial of a pro-osed acquisition even though no substantial existing or otential competition between the parties themselves ould be eliminated by consummation of the acquisition. urther, the notion that economies of scale in banking ecessitate concentrated local markets because banks must large to be efficient is not supported by the available idence. Purported economies of scale, for this reason, ould not be allowed to justify an acquisition that might

otherwise substantially lessen competition in any relevant area.

Respectfully submitted,

WILLIAM E. MURANE
General Counsel

J. WILLIAM VIA, JR.
Counsel

on behalf of:

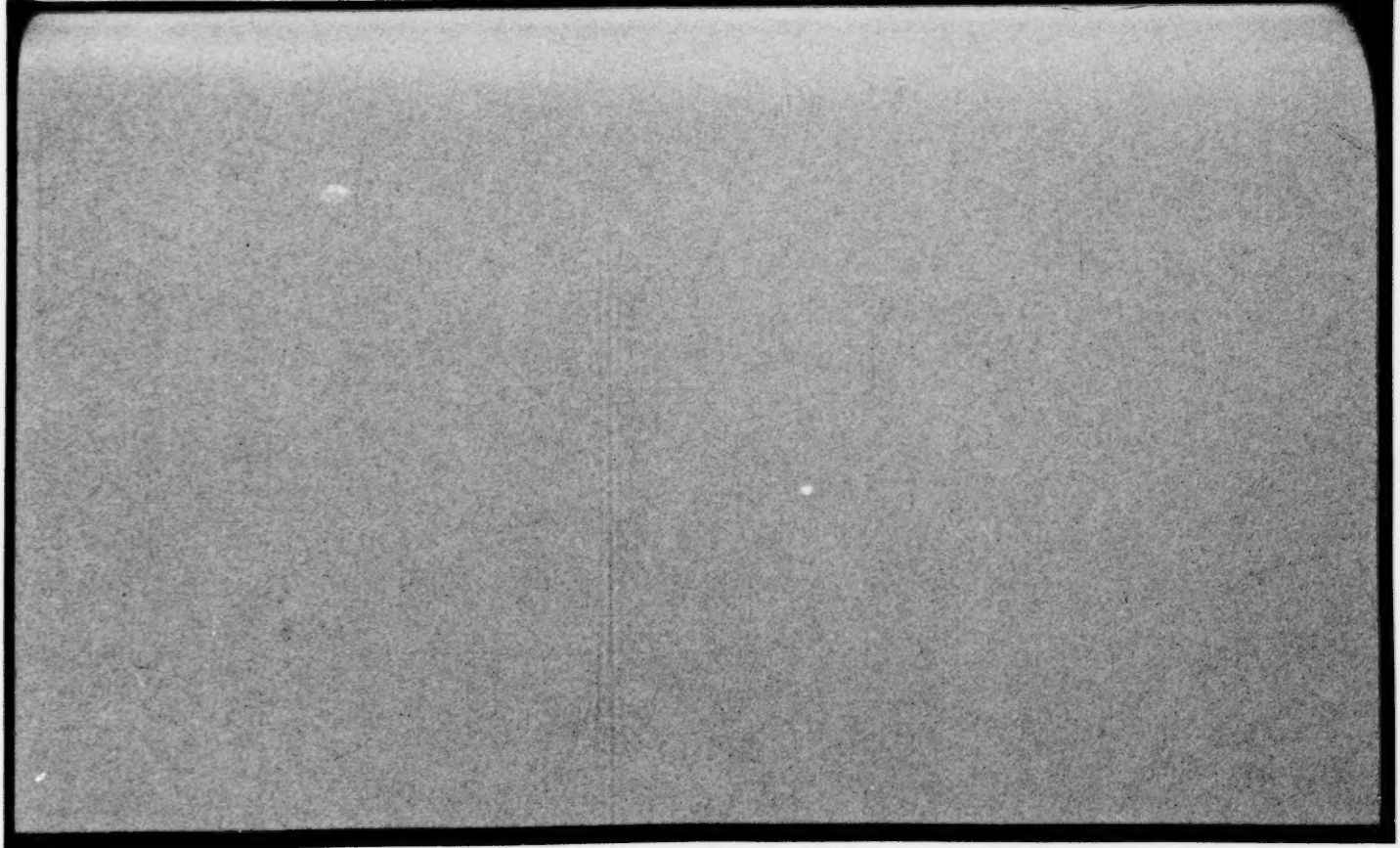
FEDERAL DEPOSIT INSURANCE CORPORATION

I authorize the filing of the above brief.

ERWIN N. GRISWOLD
Solicitor General

May 1972

APPENDICES



APPENDIX A

Central Wisconsin Bankshares, Inc., 52 Fed. Reserve Bull. 29, *petition for reconsideration and hearing denied,* 52 Fed. Reserve Bull. 812 (1966).

The First National Bancorporation, Inc., 57 Fed. Reserve Bull. 47 (1971).

First at Orlando Corporation, 57 Fed. Reserve Bull. 1013, 1014 (1971).

Midlantic Banks Inc., 57 Fed. Reserve Bull. 684 (1971).

The First National Bancorporation, Inc., 56 Fed. Reserve Bull. 731 (1970).

Allied Bankshares Corp., 53 Fed. Reserve Bull. 763 (1967).

BT New York Corporation, 53 Fed. Reserve Bull. 769 (1967).

The Citizens Banking Company, 54 Fed. Reserve Bull. 82 (1968).

Charter New York Corporation, 54 Fed. Reserve Bull. 925 (1968).

The Citizens Banking Company, 54 Fed. Reserve Bull. 82 (1968).

Virginia National Bankshares, Inc., 58 Fed. Reserve Bull. —— (April 26, 1972).

First National City Bank of New York, 1962 Annual Report, Comptroller of the Currency 138.

First National Bank of Oregon, *id.* at 151.

Maryland National Bank, 1963 Annual Report, Comptroller of the Currency 229.

For the Court's convenience, the following FDIC opinions are reprinted in their entirety.

FEDERAL DEPOSIT INSURANCE CORPORATION

Re: Valley Fidelity Bank and Trust Company, Knoxville, Tennessee
Application for Consent to Merge and Establish Three Branches

BASIS FOR CORPORATION DENIAL

Valley Fidelity Bank and Trust Company, Knoxville, Tennessee (Valley Fidelity), a state nonmember insured bank with total deposits of $62,690,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to merge under its charter and the title Valley Fidelity Bank of Knoxville, with Bank of Knoxville, Knoxville, Tennessee, an insured state nonmember bank with total deposits of $25,503,000,[1] and for consent to establish three branches at the locations of Bank of Knoxville's main office, a drive-in facility, and an authorized but unopened branch. The proposed merger would give the resulting bank eight operating offices and two authorized but unopened offices.

Competition. Under the Bank Merger Act of 1966, as interpreted by the United States Supreme Court, it is clear that the appropriate banking agency, no less than the lower Federal Courts, is required, in assessing the merits of a typical bank merger, to engage in a two-step process, the first of which is to decide whether the transaction would violate the antitrust prohibitions of Section 7 of the Clayton Act. If such a violation is found, the agency or the court must then decide whether "the anticompetitive effects

[1] Figures as of December 31, 1969.

of the proposed transaction are clearly out-weighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served." The agencies and the lower Federal courts have been further advised that in the second step of the process, the burden of proof is on the merging banks to show that the probable effect of the transaction in meeting the convenience and needs of the public is likely to benefit all seekers of banking services in the area of competitive impact, rather than merely those interested in large loan and trust services, and that the expected gains in convenience and needs cannot reasonably be achieved through other, less anticompetitive, means.[2]

For purposes of the Section 7 analysis of the merger now before the Corporation, Knox County (estimated population 269,000) may be considered the largest geographic area within which a merger of Valley Fidelity and Bank of Knoxville would have competitive significance. Knox County is the area from which both banks derive the bulk of their banking business, it is the area of reasonable banking choice for most customers of the two banks, and it is the geographic area to which the two banks and their competitors are limited by Tennessee law in the establishment of offices.

Only six commercial banks are headquartered in Knox County. Valley Fidelity ranks third in deposit size among them, with 12.4% of all commercial bank deposits in Knox County, and Bank of Knoxville fifth, with 5.0% of all commercial bank deposits in Knox County. The other banks

[2] *United States* v. *First City National Bank of Houston*, 386 U.S. 361 (1967); *United States* v. *Third National Bank in Nashville*, 390 U.S. 171 (1968); and *United States* v. *Phillipsburg National Bank*, 390 U.S. 171 (1970).

in Knox County, and the comparable deposit share for each is as follows:

	Deposits	% Total
Hamilton National Bank of Knoxville	$213,088,000	42.2%
Park National Bank of Knoxville	152,511,000	30.2%
Fountain City Bank	39,916,000	7.9%
Volunteer State Bank (established 1964)	10,862,000	2.2%

The relative shares held by each bank of all commercial bank assets, loans and IPC demand deposits in Knox County are not materially different. With the exception of Fountain City Bank, all of the banks in Knox County have their main offices in downtown Knoxville.

Bank of Knoxville's main office is in the same block as Valley Fidelity's main office, and its only other office, a drive-in facility, is two blocks away. The two banks are not significant competitors at the present time for certain types of commercial bank business, but they are significant competitors for IPC demand deposits, for time and savings deposits, for commercial and industrial loans, for single payment loans to individuals, for residential loans and for instalment loans. Changes in management policy and additional de novo branches, moreover, could bring both banks, as independent institutions, into increasing competition with each other in the future. Their merger would obviously eliminate both existing and potential competition between them.

A comparison with the facts recently before the United States Supreme Court in the *Phillipsburg* case compels the conclusion that a merger of Valley Fidelity with Bank of Knoxville would violate Section 7 of the Clayton Act. In that case, seven commercial banks were found to be competitors in the relevant geographic market. Here, there are six. The banks there seeking to merge ranked third and fifth among the seven, the larger having 13.7% of the total commercial bank deposits in the market. Here Valley Fidelity ranks third and Bank of Knoxville fifth among the competing banks, with Valley Fidelity holding 12.4% of the total commercial bank deposits in the market. There, the largest bank held 41.4% of all the commercial bank deposits in the market. Here, the largest bank holds 42.2%. There, the merger increased the share of deposits held by the three largest banks from 70% to 80%. Here, the comparable percentage would be increased from 85% to 90%. There, as here, the applicants made the claim that they are too small to serve their community effectively and to compete vigorously, and that the proposed merger would have pro-competitive effects by enhancing their competitive position against larger banks. The Court's response was that "such considerations are certainly relevant in determining the 'convenience and needs of the community' under the Bank Merger Act, [but] they are not persuasive in the context of the Clayton Act."

The Corporation finds, accordingly, that the effect of the proposed merger "may be substantially to lessen competition" in commercial banking in Knox County within the meaning of Section 7 of the Clayton Act, as incorporated into the relevant provisions of the Bank Merger Act of 1966.

Convenience and Needs of the Community to be Served. Customers of Bank of Knoxville would undoubtedly benefit from the more aggressive and innovative management of Valley Fidelity, the greater variety of specialized credit services now offered by Valley Fidelity and the extension of trust services presently available at Valley Fidelity but not at Bank of Knoxville. Customers of both banks would derive the benefit of the larger lending limits of the resulting bank and the possible introduction of new services for business customers. In addition, the applicants claim that the resulting bank would expand by a minimum of $4 million Valley Fidelity's present mortgage servicing operation, which is apparently unique among Knox County commercial banks, and that the banking public throughout Knox County would benefit significantly from the prompt establishment of new commercial bank branch offices in areas of the County not now conveniently served.

The claims related to trust services and the more convenient servicing of certain business customers are not compelling. Trust services are now available at several of the downtown Knoxville banks within convenient walking distance of Bank of Knoxville. The demand for the services that might be made available to business customers has not been demonstrated, and the increment in Valley Fidelity's lending limits which are likely to be used as a result of this merger would affect only a small number of businesses which have other sources available for loans over $1 million.[3]

[3] State banks in Tennessee have a lending limit equal to 25% of capital funds, but Valley Fidelity limits its loans, except on rare occasions, to 15% of capital funds, as a matter of prudence. The 15% limitation amounts today to approximately $900,000 and is increasing each year by $50,000 or more as earnings are retained. Fifteen percent of Bank of Knoxville's capital funds would add

he benefits claimed, the ones most likely to affect "all
ers of banking services in the community" are those
ting to the immediate expansion of Valley Fidelity's
tgage servicing department and its branch system. As
he first, the funds for the proposed expansion can be
to be available within Valley Fidelity's present asset
cture. The importance, moreover, to the Knox County
lic of a $4 million increase in Valley Fidelity's present
tgage servicing operation cannot properly be assessed
out definitive information, not presented by the Appli-
, as to the mortgage servicing operations of indepen-
brokers and savings and loan associations also operat-
in the Knox County area. As to the second benefit
med, both banks recognize the importance to their
re prospects of *de novo* branching and have expressed
r intention of pursuing such a course of action whether
ot the merger is approved. It is relevant here that
Corporation recently approved two *de novo* branch
lications in Knox County for Volunteer State Bank,
smallest competitor in the market and the one most
ntly established. It is also relevant to both claims of
munity benefit that the two banks are profitable and
-managed institutions: Valley Fidelity added more
$450,000 to capital funds after taxes and dividends in
, while Bank of Knoxville added more than $160,000
same year. Thus, by natural growth, Valley Fidelity,
ot Bank of Knoxville, should be able to provide the
ous benefits claimed to the Knox County public in the
future without the necessity for this merger.

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roximately $450,000 to Valley Fidelity's voluntary limit. The
ing limits of the two larger national banks in Knoxville are,
ectively, about $1.7 million and $1.1 million.

On the record, the Board cannot find that the anticompetitive effects of the proposed merger are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the banking public in Knox County.

Financial and Managerial Resources; Future Prospects. Both banks have satisfactory financial and managerial resources for the business they do as independent institutions, and both have satisfactory prospects for the future. The same would be true of the resulting bank if the merger were to be approved, but consideration of these factors adds no significant weight either to approval or denial of an application in which a violation of Section 7 of the Clayton Act has been found.

Based on the foregoing, the Board of Directors has concluded that approval of the application is not warranted and that it must, accordingly, be denied. [9/4/70]

FEDERAL DEPOSIT INSURANCE CORPORATION

Re: First-Citizens Bank & Trust Company
Smithfield, North Carolina
Application for Consent to Merge and Establish Three Branches and for Consent to the Retirement Provision of Preferred Stock

Basis for Corporation Denial

First-Citizens Bank & Trust Company, Smithfield, North Carolina ("Citizens"), an insured State nonmember bank with total deposits of $571,829,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior approval to merge with The Lucama-Kenly Bank, Lucama, North

Carolina ("Lucama-Kenly"), an insured State nonmember bank with total deposits of $5,616,000. The banks would merge under the charter and title of Citizens and, as an incident to the merger, the three offices of Lucama-Kenly would become branches of Citizens, increasing the number of its offices to 148. Approval is also requested for the retirement provisions of preferred stock.

Competition. Citizens is the fourth largest bank in North Carolina, controlling 9.1 percent of total commercial bank deposits in the State (the first, second and third largest banks holding 20.7 percent, 17.0 percent and 13.6 percent of such deposits respectively). Citizens has branches widely distributed throughout the State, but most of its 145 offices are located in eastern North Carolina. Its main office and 9 branches are located in Johnston County (1970 estimated population: 60,477), it has a branch at Spring Hope in adjacent Nash County (1970 estimated population: 57,233) and is also represented in adjacent Wilson County (1970 estimated population: 57,328) where it has two branches at Wilson.

Lucama-Kenly has one office in each of these three counties: its main office at Lucama in Wilson County, a branch office at Bailey in Nash County and a branch office at Kenly in Johnston County. Each is a sparsely populated community served only by Lucama-Kenly, and there are no intervening banks between the three locations. The area served by Lucama-Kenly, however, is also partially served by Citizens' offices at Spring Hope, Wilson, Selma and Smithfield, by offices at Wilson of First Union National Bank of North Carolina (the State's third largest bank), by offices at Wilson, Micro and Selma of Branch Banking & Trust Company (the State's sixth largest bank), and by an office at Smithfield of First Na-

tional Bank of Smithfield. Citizens has the largest share of local deposits (an estimated 37 percent), Branch Banking & Trust Company the next largest share (an estimated 35 percent), and Lucama-Kenly the smallest share (an estimated 5 percent). Wilson is 8 miles from Lucama-Kenly's nearest office, Micro and Selma are 5 miles from Lucama-Kenly's nearest office, while Spring Hope is 16 miles north and Smithfield 16 miles south of Lucama-Kenly's nearest office.

With offices of Citizens surrounding the area served by Lucama-Kenly and also serving parts of the same area, the proposed merger would have the effect of eliminating existing competition between the two banks, reducing the number of alternatives in the vicinity of Lucama-Kenly's service area from five to four, and adding to the very high share of the local banking market already held by Citizens.

North Carolina law permits Statewide *de novo* branching, but the likelihood of competition arising between Citizens and Lucama-Kenly through increased *de novo* branching activity is remote. Lucama-Kenly has very limited resources for such *de novo* branching activities against the larger banks in the surrounding area, while Citizens is not likely to be attracted to Lucama, Kenly or Bailey because of their limited population and lack of growth potential. On the other hand, Lucama-Kenly has alternative merger possibilities available to it and a different merger might bring the resulting bank into significant competition with Citizens in Wilson, Johnston and Nash Counties as well as elsewhere in North Carolina.

In this regard, as was noted in approving the recent proposed merger of Citizens and The Haynes Bank, Cliffside,

North Carolina, the Corporation is keenly aware of recent developments in the commercial banking structure of North Carolina. Since year-end 1964, more than 43 banks in the State have merged out of existence, and a sizable number of these have merged with the five largest banks in the State. Those banks already hold 67.2 percent of all commercial bank deposits and 63 percent of all commercial bank offices in North Carolina. While most of Citizens' expansion during the past 6 years has been accomplished by *de novo* branching, it has acquired 3 small banks since year-end 1964. Generally speaking, adding to the resources of a bank the size of Citizens by merger encourages the further concentration of banking assets in the State, rather than the deconcentration of such assets which might occur through *de novo* branching or some alternative merger. For as the number of viable, independent banks remaining in the State decreases, opportunities for deconcentration, through the affiliation of such banks with other banks capable of challenging the larger banks in the State, become increasingly less numerous. Under these circumstances, the merger of significant local banks with any of the larger banks in the State should be approached with the most careful regulatory scrutiny, increasing in vigor with the size of the acquiring bank.

Here, Citizens seeks to merge with a bank having three offices in a general trade area where it already holds more than 37 percent of area deposits. As a consequence, the merger would bring no new source of competition to the area but instead would serve to entrench Citizens in an even more dominant position in the market than it has today. The precedent of approval, moreover, would encourage the largest banks in the State to seek similar mergers in areas they already serve and in which they, too,

have a significant portion of the market. A denial of the merger, on the other hand, would encourage Lucama-Kenly to seek out another merger partner, smaller than Citizens and not presently represented within convenient driving distance of its three offices. Such a merger might well produce the benefits in banking service claimed for this proposal, while also enlarging the public's choice of convenient banking alternatives.

Based on these facts, and in view of the large number of less anticompetitive mergers available to Lucama-Kenly, the Board of Directors is of the opinion that the effect of the proposed transaction may be substantially to lessen competition in Johnston, Wilson and Nash Counties and in North Carolina generally.

Convenience and Needs of the Community to be Served. The proposed merger would replace a small, independent bank offering limited services with branches of the fourth largest bank in North Carolina, offering a full range of banking and trust services. This increase in convenience would affect only limited numbers of customers, and is further reduced in importance by the proximity today of six branches of Citizens to Lucama-Kenly's three offices. Since these branches already offer the wider range of services, the more liberal credit policies and the more aggressive management that the proposed merger would bring to Lucama-Kenly's three offices, the Corporation considers the additional increment to community needs and convenience to be slight. They can, moreover, be achieved as readily by numerous other, less anticompetitive mergers.

Financial and Managerial Resources; Future Prospects. These factors are adequate with respect to both merging

banks and should be favorable for the resulting bank. They add, however, no decisive weight toward approval or denial of a proposed merger the effect of which may be substantially to lessen competition in a relevant market. A special examination of Lucama-Kenly concluded on December 11, 1970, moreover, disclosed no financial or management condition which might adversely affect the future prospects of that institution.

Based on the foregoing, the Board of Directors has concluded that approval of the proposed merger of Citizens and Lucama-Kenly is not warranted and should, accordingly, be denied. [1/4/71]

FEDERAL DEPOSIT INSURANCE CORPORATION

Re: First-Citizens Bank & Trust Company
Smithfield, North Carolina
Application for Consent to Merge and
Establish Three Branches and for Consent to
the Retirement Provision of Preferred Stock

Statement Upon Reconsideration

First-Citizens Bank & Trust Company, Smithfield, North Carolina ("Citizens"), an insured State nonmember bank with total deposits of $663,191,900, was denied on January 4, 1971, the Corporation's prior approval to merge with The Lucama-Kenly Bank, Lucama, North Carolina ("Lucama-Kenly"), an insured State nonmember bank with total deposits of $7,170,000. A copy of the Corporation's *Basis for Denial* of the original application is attached. Citizens then petitioned the Corporation to reconsider its original denial offering to divest any one of Lucama-Kenly's branches if necessary to obtain the Corporation's approval.

The Corporation's Board of Directors, having reconsidered the application in light of Citizens' petition and subsequent analysis reaffirms its original denial, with the following additional statement.

In its Petition for Reconsideration, Citizens takes the position that if the merger were approved competition would not be lessened in any primary area served by Lucama-Kenly's three offices nor in Johnston, Nash or Wilson Counties as a whole.

To support this conclusion, it suggests that consideration of the competitive impact of the proposed merger should be limited to very narrow geographic areas surrounding each Lucama-Kenly office and then finds that Citizens has practically no deposit accounts and insignificant loan business from any of those areas. It also stresses the fact that each county has more commercial banks and more commercial bank offices for its residents than the average for North Carolina or the United States.

The Corporation agrees with Citizens that not all of Johnston, Wilson and Nash Counties can properly be considered in assessing the competitive impact of a merger between Citizens and Lucama-Kenly since many bank offices in all three Counties are quite remote from Lucama-Kenly's three offices and cannot reasonably be considered in competition with them.[1] The Corporation does not agree, however, that the competitive impact of the proposed merger should be assessed only within the narrowly circumscribed areas suggested by Citizens.

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[1] The Corporation frequently uses county-wide deposit totals to approximate a market because of the convenient availability of such data in its biennial Summary of Deposits, most recently published as of June 30, 1970.

ıe residents and businessmen of Johnston, Wilson and ash Counties who will be affected by the proposed merger e those for whom any one of the three offices of Lucama-enly are convenient alternatives to other offices for the ınking services they need or desire. Given the semi-rural ıture of the countryside around each Lucama-Kenly office, e general reliance of the public on automobile travel r transportation, and the existence of well-paved roads, eluding a major U. S. route that links Lucama and Kenly th Smithfield on the south and Wilson on the north, the orporation considers it not unreasonable to consider all mmercial bank offices within approximately 15 miles of y Lucama-Kenly office as offering competition to that nk.

ithin 15 miles of these offices, there are 42 commercial nk offices today holding about $135 million in IPC de-sits. Nine different banks have offices in this area, but ree hold more than 86 percent of area deposits: Citizens ith 11 offices and 33 percent of area deposits), Branch anking & Trust Company (with 14 offices and 29 percent total area deposits) and First Union National Bank of orth Carolina (with six offices and 24 percent of total ea deposits). Lucama-Kenly is the only remaining inde-endent bank of consequence between Smithfield, Selma d Micro to the south and Wilson to the north. In the rmer locations, Citizens and Branch Banking & Trust ompany both conduct significant branch operations; in ilson, all three of the dominant area banks have signifi-nt branch operations. And for some area residents near ucama-Kenly's office in Bailey, Wilson on the east might the more obvious choice for alternative sources of com-ercial bank service than Middlesex, Zebulon or Wendell the west. The proposed merger would add Lucama-enly's 4 percent to Citizens' present share of local area

deposits and reduce by one the limited number of commercial bank alternatives available to any particular customer or potential customer of Lucama-Kenly.

The Board reiterates its general concern that the proposed merger, because it involves an acquisition in an area where Citizens is already well represented, would provide an undesirable precedent in the long-run for the commercial bank structure of the State of North Carolina, where an evident merger trend has significantly increased the share of Statewide commercial bank deposits held by the five largest banks in the State since 1964. Even conceding that a more accurate percentage figure would be 33 percent rather than 37 percent, the Board finds no reason to revise its earlier conclusion that:

> "Here, Citizens seeks to merge with a bank having three offices in a general trade area where it already holds more than 37 percent of area deposits. As a consequence, the merger would bring no new source of competition to the area but instead would serve to entrench Citizens in an even more dominant position in the market than it has today. The precedent of approval, moreover, would encourage the largest banks in the State to seek similar mergers in areas they already serve and in which they, too, have a significant portion of the market. A denial of the merger, on the other hand, would encourage Lucama-Kenly to seek out another merger partner, smaller than Citizens and not presently represented within convenient driving distance of its three offices. Such a merger might well produce the benefits in banking service claimed for this proposal, while also enlarging the public's choice of convenient banking alternatives.

"Based on these facts, and in view of the large number of less anti-competitive mergers available to Lucama-Kenly, the Board of Directors is of the opinion that the effect of the proposed transaction may be substantially to lessen competition in Johnston, Wilson and Nash Counties and in North Carolina generally." •

sed on the foregoing, and on its review of the banking tors and the convenience and needs of the community be served, the Board concludes again that approval of proposed merger of Citizens and Lucama-Kenly is not rranted and should, accordingly, be denied. [7/12/71]

EDERAL DEPOSIT INSURANCE CORPORATION

Re: Westminster Trust Company
Westminster, Maryland
Application for Consent to Merge
and Establish Four Branches

BASIS FOR CORPORATION DENIAL

estminster Trust Company, Westminster, Maryland rust Company), a State nonmember insured bank with al resources of $18,390,000, has applied, pursuant to Sec- n 18(c) and other provisions of the Federal Deposit In- rance Act, for the Corporation's prior consent to merge

• Because the Corporation's original decision discounted the elihood of competition arising between Citizens and Lucama- nly through increased *de novo* branching, the Board considers lower-than-average population per commercial bank office which ts in Johnston, Wilson and Nash Counties to be irrelevant to reconsideration of the application. Moreover, since regulatory icy is or should be directed toward the deconcentration of highly centrated local banking markets, the fact that Citizens' share total deposits in the three-county area has shown a modest cline since 1966 provides no affirmative basis for reversing the rporation's earlier decision.

with The Union National Bank of Westminster, Westminster, Maryland (Union Bank), with total resources of $14,596,000, under the charter of Trust Company and with the title of Northern Maryland Bank and Trust Company.[1] The four offices of Union Bank would become branches of the resulting bank increasing the number of its offices to eight.

Competition. The proposed merger would consolidate the second and third ranking banks presently headquartered in Westminster, Maryland (1970 population 7,143). Trust Company operates two offices there, one in Union Mills, seven miles northwest of Westminster and one in Winfield, twelve miles southwest of Westminster. Union Bank operates two offices in downtown Westminster, one in a shopping center on the outskirts of Westminster and one in Finksburg, eight miles southeast of Westminster. The two banks are substantially smaller than the largest bank presently operating in Westminster, Carroll County Bank and Trust Company, a $45 million deposit institution.

The offices of Trust Company and Union Bank are all located in Carroll County (1970 population 68,329), which is in the north central sector of Maryland adjacent to the Pennsylvania State line. The rural orientation of Carroll County is being replaced by emphasis on light manufacturing, retail and wholesale trade and services. Farm operations, following a general trend, are being consolidated with consequent increase in the size of the average farm and its capital requirements. Although Carroll County is on the outer fringe of the Baltimore SMSA and some commutation to other parts of the SMSA occurs, the proposed merger would have its greatest public impact in Carroll County and in the adjacent communities of Reisterstown and Glyndon,

[1] Figures as of June 30, 1970.

th of which are in Baltimore County but easily accessible Westminster by divided highway. Both banks draw eir deposit and loan business almost exclusively from this ea. Both banks, headquartered in Westminster, the unty seat and geographic center of Carroll County, have ices in communities easily accessible to Westminster, and ere appears to be only limited economic interaction be- een the people in this market area and the rest of the ltimore SMSA or the York (Pennsylvania) SMSA to north.

e close identity of service areas for Trust Company and ion Bank emphasizes that their proposed merger would minate direct competition between them, and the figures dicate this competition is relatively substantial and sig- icant. Union Bank has a somewhat larger total of public posits than Trust Company, but except for this difference eir deposit structures are similar. More than one-half of ion Bank's deposits, moreover, are derived from cus- ners who also deposit at Trust Company. Half of each nk's loan portfolio is in real estate loans, and both banks approximately the same volume of installment lending the area.

e proposed merger would not only eliminate this existing mpetition but also the possibility, thro gh *de novo* branch- g, of increased competition between the two banks in the ture. Both have been successful in opening *de novo* anches in Carroll County in the past, and population ends in the County and in Reisterstown and Glyndon make rther *de novo* branching likely in the future.

welve commercial banks have offices in the designated arket area, with Trust Company holding 12.2 percent of tal IPC deposits and Union Bank 9.0 percent. Their pro-

posed merger would create a bank holding 21.2 percent of the market, exceeded only by Carroll County Bank and Trust Company with 33.7 percent of the area's total IPC deposits. None of the other nine banks would have more than 9.8 percent of the area's total IPC deposits. Approval of the proposed merger would thus add significantly to commercial bank concentration in the relevant geographic market and encourage other direct competitors to merge.

Furthermore, although twelve commercial banks have offices in the relevant geographic market, approximately 50 percent of area IPC deposits are held at the Westminster offices of Carroll County Bank and Trust Company, Westminster Trust Company and Union Bank. By contrast, only one-tenth of the area's population lives there. This emphasizes Westminster's role as the economic as well as geographic center of the market and indicates further that many area residents turn to Westminster for banking services which are not provided by the smaller institutions elsewhere in the market. For this reason, a disproportionately large segment of the public living in the market area would be affected by the proposed reduction from three to two in the number of banking alternatives in Westminster.

Based on the foregoing and on applicable judicial precedents, the Board of Directors is of the opinion that the effect of the proposed merger would be substantially to lessen existing and potential competition in commercial banking in Carroll County, Reisterstown and Glyndon.

Convenience and Needs of the Community to be Served. If the proposed merger were approved, the only immediate change in services to the public would be an increase in lending limits from $90,000 in the case of Trust Company and $70,000 in the case of Union Bank to $172,000. With

ne exception, neither bank has originated any loan within ne past year which has been shared with any other bank nd it appears that only a very small number of business ustomers would benefit from the higher lending limit. The pplication further states that it is not anticipated that any ew services would initially be offered by the resulting ank.

he Board of Directors, accordingly, cannot find that the nticompetitive effects of the proposed transaction would e clearly outweighed in the public interest by the probable ffect of the transaction in meeting the convenience and eeds of the banking public in the relevant geographic mar-et.

inancial and Managerial Resources; Future Prospects. ach of the participating banks has adequate financial re-ources, with Union Bank's recent earnings performance omewhat more impressive than Trust Company's. Union ank anticipates a management succession problem in the ext few years, but there are alternatives available to the roposed merger for the resolution of what is presently nly a potential problem. The future prospects of both anks, in a growing market, are favorable.

ased on the foregoing, the Board of Directors has con-luded that approval of the application is not warranted nd that it must, accordingly, be denied. [5/14/71]

FEDERAL DEPOSIT INSURANCE CORPORATION

Re: Anderson Banking Company
Anderson, Indiana
Application for Consent to Merge
and Establish One Branch

Basis for Corporation Denial

Anderson Banking Company, Anderson, Indiana (Applicant), an insured State nonmember bank with total deposits of $60,076,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior approval to merge with The State Bank of Lapel, Lapel, Indiana (Lapel Bank), an insured State nonmember bank which has total deposits of $3,405,000. The banks would merge under the charter and title of Applicant and as an incident to the merger the one office of Lapel Bank would become a branch of the resulting bank increasing the number of its offices to nine.

Competition. The eight offices of Applicant are all in Madison County which, with small portions of contiguous counties, constitutes its primary trade area. Anderson, the county seat of Madison County, is a highly industrialized city located in the east central section of the State of Indiana, between Indianopolis, 35 miles to the southwest,. and Muncie, 18 miles to the northeast. In the ten years prior to 1970, the population of Madison County increased from 125,819 to 137,451.

Lapel Bank's sole office is in the town of Lapel (population 1,725), about 11 miles southwest of Anderson near the Madison County-Hamilton County border. Lapel serves as a trading center for nearby farmers. A sizable number of area residents commute to Anderson to work in the industrial plants located there.

plicant is the largest, and Lapel Bank the smallest com-
rcial bank in Madison County, with 39.7 percent and 2.1
rcent, respectively, of total IPC deposits held by Madison
unty commercial banks. Applicant and the two next
gest banks in the County together hold some 75 percent
total IPC deposits. Some Madison County banks, how-
er, such as those in Alexandria and Summitville, are not
dily accessible to Lapel area residents, while commer-
l banks in Noblesville (nine miles to the west of Lapel in
milton County) and Fortville (eight miles to the south of
pel in Hancock County) are. After making these adjust-
nts to local area deposits, Applicant alone would hold
out 30 percent of the resulting market, and together with
e American National Bank of Noblesville and Citizens
nking Company, Anderson, the second and third ranking
nks, respectively, in the same market, would hold 67 per-
t of such deposits. The proposed merger would thus add
the strength of the dominant local bank, increase the con-
tration of banking resources in an already highly concen-
ted market, reduce by one the number of alternative
rces of commercial bank services conveniently available
Lapel area residents, and eliminate direct competition
tween Applicant and Lapel Bank for the banking busi-
ss of those area residents who commute to Anderson to
rk.

der relevant Indiana law, which permits *de novo* branch-
for Madison County banks only within Madison County
d subject to home office protection, Applicant could not
ter Lapel by *de novo* branching at the present time. Ap-
cant could enter unincorporated areas near Lapel, but
s may be relatively unattractive in view of their sparse
pulation. Were Lapel Bank to merge with one of the

other seven Madison County banks, however, home office protection would be removed from Lapel, and Applicant has indicated it would, in that event, be likely to seek a *de novo* branch within the incorporated areas of Lapel. Consummation of the proposed merger would eliminate that potential for increased competition between the two banks in the future.

In view of Applicant's present 30 percent share of the relevant deposit market, its dominant position in Madison County as a whole, the highly concentrated nature of commercial banking in the relevant market and in Madison County as a whole, the elimination of both present and potential competition if this merger is approved, and the availability to Lapel Bank of other alternatives if this merger is denied, the Board of Directors is of the opinion that the effect of the proposed transaction may be to lessen competition substantially within the relevant market and within Madison County as a whole.

Convenience and Needs of the Community to be Served. The proposed merger would replace a small, limited service bank with an office of a larger bank offering a higher lending limit and certain lending and deposit services not now available at Lapel Bank. Such services are available, with only slight inconvenience, however, from banks in Noblesville, Pendleton and Anderson, including Applicant. Thus, the proposed merger would have only slight impact on the convenience and needs of the community to be served.

Financial and Managerial Resources; Future Prospects. Both banks have adequate financial and managerial resources, although Lapel Bank has permitted a management succession problem to arise. The stock of Lapel Bank is closely held, however, and it is one of the most profitable

Madison County banks. The record indicates that Lapel Bank is likely to have other solutions to its management succession problem even if the proposed merger with Applicant is denied.

Since the anticompetitive effects of the proposed merger are not clearly outweighed by the convenience and needs of the community to be served, the Board of Directors has concluded that the proposed merger of Applicant and Lapel Bank should be denied. [7/19/71]

FEDERAL DEPOSIT INSURANCE CORPORATION

Re: The Citizens and Southern Emory Bank
Atlanta, Georgia
Application for Consent to Acquisition of Assets and Assumption of Liability to Pay Deposits and to Establish Two Branches

Basis for Corporation Denial

The Citizens and Southern Emory Bank, Atlanta, Georgia (Emory Bank), an insured State nonmember bank with total deposits of $34,796,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior approval to acquire the assets of and to assume the liability to pay deposits made in Citizens and Southern Bank of Tucker, Tucker, Georgia (Tucker Bank), an insured State nonmember bank with total deposits of $24,738,000.[1] Application is made also under Section 18(d) of the Federal Deposit Insurance Act to operate the main and single branch office of Tucker Bank as branches of the resulting bank.

[1] Deposit data as of June 30, 1971.

Competition. The Citizens and Southern National Bank (C&S National), Savannah, Georgia, is the owner of all the outstanding stock of Citizens and Southern Holding Company (C&S Holding), Savannah, Georgia, which in turn owns 95.14 percent of the stock of Emory Bank and 5.0 percent of the stock of Tucker Bank.

The C&S system, including its 5% affiliates, presently controls 41.8 percent of all deposits held at DeKalb County commercial bank offices and 25.4 percent of all commercial bank offices in the County, making it by far the largest banking system in DeKalb County.

Tucker Bank was organized in 1919 and did not become affiliated with the C&S system until early 1965. At that time Tucker Bank maintained only one office, holding approximately $4 million in deposits.

When C&S Holding acquired its 5% interest in Tucker Bank, approximately 75 percent of Tucker Bank's remaining stock was acquired simultaneously by holders close to the C&S system. Ever since, Tucker Bank has been operated with substantially the same close working relationship between it and other C&S banks that exists between the C&S system and the 5% banks which it organized *de novo*. This relationship, and the lack of existing competition between C&S banks, are detailed in the Basis for Corporation Approval issued this date in connection with the proposed acquisition by the Citizens and Southern Bank of East Point and two other 5% C&S banks in Fulton County.

Even as to Tucker Bank, the Corporation sees no reason to anticipate a voluntary disaffiliation from the C&S system if this proposed merger is denied.

The close, and apparently friendly, working relationship that presently exists with the C&S system argues against the likelihood of such disaffiliation despite the fact that 7 percent of the outstanding stock of Tucker Bank remains in the hands of the family that controlled the bank as an independent institution when C&S acquired its interest in 1965. As in the case of the other proposed mergers of 5% banks into majority-owned C&S subsidiaries, more than 87 percent of the outstanding shares of Tucker Bank were voted in favor of this proposed merger and only 26 shares (less than 0.1 percent) of the outstanding shares were voted against the proposal. Disaffiliation, if it occurs, would appear to depend on compulsory process to sever the C&S relationship with this bank, rather than the denial of the application now before the Corporation.

While the Corporation finds that existing competition would not be eliminated by the proposed merger, and that future competition through voluntary disaffiliation is unlikely, it subscribes to the following view expressed by the Board of Governors of the Federal Reserve System in its May 20, 1971, opinion on the reconsideration of its earlier decision relating to the proposed merger of Trust Company of Georgia and Peachtree Bank and Trust Company, Chamblee, Georgia:

> "... A merger of two banks which are not significant competitors cannot be regarded as eliminating significant existing competition, and, similarly, if future competition is unlikely—even though possible—the merger cannot be regarded as reasonably likely to lessen future competition.
>
> "This does not mean that every proposed merger before the Board of two related banks receives favorable

consideration. *First of all, consideration must be given to the question of whether the relationship was anti-competitive in its origins; if so, little weight should be attributed to such relationship, since to do so might encourage evasion of the law.* * * *" [Emphasis supplied.]

The Corporation took a similar position in its December 1, 1970, opinion approving the proposed merger of The Lone Tree Savings Bank into The Farmers and Merchants Savings Bank, also of Lone Tree, Iowa, and in its December 4, 1970, opinion approving the proposed merger of Embarrass State Bank, Embarrass, Wisconsin into Citizens State Bank, Shawano, Wisconsin.

The following circumstances surrounding the affiliation of Tucker Bank with the C&S system in 1965 appear relevant. Tucker Bank was a small, limited service unit bank serving primarily the credit needs of outside business interests of the Cofer family, its controlling owners. A new national bank was being organized in Tucker, which promised more intense competition. Seeking more experienced banking management and a good price for their stock, the controlling owners of Tucker Bank approached C&S National, with whose management they were personally friendly, and the sale of 80 percent of their stock to C&S interests was consummated shortly thereafter.

While the C&S affiliation resulted in broadening the banking services offered to Tucker Bank customers, it also resulted in a significant increase in the share of DeKalb County banking resources controlled by the C&S system. At year-end 1964, the C&S system already controlled approximately 24 percent of total DeKalb County commer-

l bank deposits and a slightly larger share of all the mmercial bank offices in the County. Tucker Bank's de-sits represented at that time about 5 percent of total eKalb County commercial bank deposits. Its affiliation th the C&S system not only increased substantially that stem's lead over other banking organization in the unty, but foreclosed the possibility that Tucker Bank, her as an independent bank under different control or part of another large banking organization with a less bstantial share of DeKalb County banking resources, uld become a significant competitor to the C&S system.

cker Bank at the time was not in an unsound condition, had had no experience actually competing against the w bank being organized in its community, and the rec-d discloses no serious effort on the part of its owners find some other, less anticompetitive solution to the new uation it faced. Moreover, with the growth projected for e Tucker area, the C&S system might have found it sirable and practicable, if not in 1964-1965, then at some ter date, to establish a *de novo* bank in the area served by cker Bank, just as it did in other growing sections of eKalb County prior to the recent change in Georgia's anching laws.

ased on the increased concentration of DeKalb County nking resources in the C&S system and the elimination probable future competition with Bank of Tucker had e affiliation with C&S not taken place, the Corporation ds that the present affiliation was anticompetitive in its igins and should not now be ratified by the Corporation's pproval under the Bank Merger Act.

inancial and Managerial Resources; Future Prospects. hese factors are satisfactory with respect to each of the nks involved and are so projected for the resulting bank.

Convenience and Needs of the Community to be Served. In view of the close working relationship that presently exists between the C&S system and these two banks, neither consummation nor denial of the proposed merger would change in any significant way the ability of Tucker Bank to serve the convenience and needs of DeKalb County residents.

With the various other factors to be considered weighing neither for approval nor denial, the Corporation concludes that the application now before it should be denied in view of the anticompetitive nature of the original affiliation of Bank of Tucker with the C&S system in 1965. [10/4/71]

FEDERAL DEPOSIT INSURANCE CORPORATION

Re: Continental Bank
Norristown, Pennsylvania
Application for Consent to Merge and
Establish Twenty-two Branches

Basis for Corporation Denial

Continental Bank, Norristown, Pennsylvania ("Continental"), a State nonmember insured bank with total resources of $717,597,000 and total deposits of $620,966,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to merge with Bank of Pennsylvania, Reading, Pennsylvania, with total resources of $252,416,000 and total deposits of $220,289,000.[1] The banks would merge

[1] Figures as of June 30, 1971. Deposit percentages as of June 30, 1970.

under the charter and title of Continental and, as an incident to the merger, the 22 offices of Bank of Pennsylvania would become branches of the resulting bank, increasing the number of its offices to 72.

Competition. Continental presently operates 50 offices in the Philadelphia SMSA, 20 of which are located in Philadelphia (population 1,948,609, down 2.7 percent since 1960), 16 of which are located in Montgomery County (population 623,799, up 20.7 percent since 1960), 6 of which are located in Bucks County (population 415,056, up 34.5 percent since 1960), 3 of which are located in Delaware County (population 600,035, up 8.5 percent since 1960), and 5 of which are located in Chester County (population 278,311, up 32.2 percent since 1960). Within this five-county area, Continental holds approximately 5.9 percent of all commercial bank deposits and 9.0 percent of all commercial bank offices, ranking sixth with regard to the total deposits held at commercial bank offices in these five counties and fifth with regard to the number of commercial bank offices within such counties. Continental's main office is in Montgomery County, but it has no office in the two remaining counties open to it under Pennsylvania law (i.e., Berks and Lehigh).

Bank of Pennsylvania operates 22 offices, 19 of which are located in Berks County (population 296,382, up 7.6 percent since 1960) and 3 of which are located in Lehigh County (population 255,304, up 12.2 percent since 1960). Fourteen banks have a total of 56 offices in Berks County, but only three banks are of substantial size: American Bank & Trust Company, headquartered in Reading, a $679 million institution, National Central Bank, headquartered in Lancaster, a $627 million institution that recently merged with Reading Trust Company, and Bank of Pennsylvania. Al-

though third largest in total resources, Bank of Pennsylvania ranks second in terms of Berks County deposits, with 26.1 percent of total IPC deposits held at offices within the county. In Lehigh County, where Bank of Pennsylvania has opened two *de novo* offices since 1968, it holds only 2.2 percent of total IPC deposits held at offices within the county and competes with eleven other banks, six of which exceed $100 million in total assets. In the combined two-county area, Bank of Pennsylvania holds 15.9 percent of total IPC deposits, ranking third in this regard in the Berks-Lehigh banking market. Under Pennsylvania law, Bank of Pennsylvania has the right to branch *de novo* or merge in several other counties where it has no offices today —i.e., Montgomery, Chester, Lancaster, Lebanon and Schuylkill. If the proposed merger is approved, the resulting bank would lose the legal authority to enter Lancaster, Lebanon and Schuylkill Counties.

The closest offices of the two banks—Continental's Pottstown Branch in Montgomery County and Bank of Pennsylvania's Boyertown Branch in Berks County—are eight miles apart, but the immediate areas served by each bank are quite distinct. While there are a number of common depositors, approximately fifteen are major national firms or utilities doing business throughout this section of Pennsylvania. Neither bank draws more than a small amount of deposit, loan or trust business from areas presently served by the other, and their proposed merger would not eliminate any significant existing competition between them.

The proposed merger, on the other hand, would eliminate the possibility of increased competition between the two banks in the future and adversely affect future competition

in a number of counties in this general section of Pennsylvania.

Since 1965, most of the major Philadelphia banks, including Continental, have moved their main offices to Montgomery County so as to extend the geographic reach of their branch systems to Lehigh, Berks and Chester Counties as permitted by Pennsylvania law. Continental itself now has five offices in fast-growing Chester County, where income levels are substantially above Statewide averages and the population per commercial bank office is 6,325. Lehigh County similarly is a growing county, with above average income levels and a population per commercial bank office of approximately 5,800. Berks County has only average income levels and a somewhat lower population per commercial bank office than Lehigh (i.e., 5,489 persons), but it, too, has been growing substantially in population and additional *de novo* branching appears likely. While Continental is not the largest Philadelphia bank able to enter Berks and Lehigh Counties *de novo*, it is clearly one of the most likely entrants in view of its aggressive efforts in the past to expand by both *de novo* branching and by merger into counties where it was not already represented.

Commercial banking resources are already highly concentrated in both Berks and Lehigh Counties. American Bank & Trust Company, National Central Bank and Bank of Pennsylvania together hold 82.4 percent of all Berks County commercial bank deposits, while the three principal banks in Lehigh County hold 84.5 percent of its total commercial bank deposits. If the deconcentration of banking resources and greater public choice among alternative sources of banking service are to be encouraged, *de novo*

entry by significant banks not presently represented in either county, or their entry by merger with much smaller local banks than Bank of Pennsylvania, is clearly preferable to a transaction in which one of the most likely entrants seeks to acquire a bank with a market share as large as that which Bank of Pennsylvania currently holds in Berks County.

The proposed transaction would adversely affect future competition in other counties as well. Bank of Pennsylvania, a $252 million institution, now has legal capacity to expand *de novo* or by merger into five counties in addition to Berks and Lehigh.

Continental has a significant share of the local deposit market in two of these counties (Montgomery and Chester), and both are among the fastest growing counties in Pennsylvania, with income levels well above the Statewide average. In the absence of merger, greater competition between Bank of Pennsylvania and Continental in these two counties would be increasingly likely as Bank of Pennsylvania seeks additional ways to expand outside its headquarters county. Bank of Pennsylvania, it should be noted, has opened six *de novo* branches since 1968, and has had successful experience in branch operations. The proposed merger would eliminate this additional potential for increased competition between the two banks.

Bank of Pennsylvania, moreover, would lose the legal capacity to expand *de novo* or by merger into Lancaster, Lebanon and Schuylkill Counties if the proposed merger is approved. Based on population trends, income levels and the present number of commercial bank offices, Lancaster County (population 319,693, up 14.8 percent since 1960) must be considered the most attractive, and Lebanon

County the next most attractive, of the three counties for expansionary moves today by outside banks. Bank of Pennsylvania, as the largest such outside bank with capacity to enter and with successful branching experience, is the most likely potential entrant into both counties, but such entry would no longer be possible if the proposed merger is approved.

The Board of Directors has concluded, accordingly, that approval of the proposed merger would eliminate a significant potential for greater competition between Bank of Pennsylvania and Continental Bank in Berks, Lehigh, Chester and Montgomery Counties and would adversely affect future commercial bank competition in Lancaster and Lebanon Counties. Since Bank of Pennsylvania and Continental are both effective competitors in the banking markets they serve today, the Board of Directors has further concluded that the competitive factors presented by the application weigh against approval despite the fact that significant existing competition between the two banks would not be eliminated.

Convenience and Needs of the Community to be Served. Approval of the proposed merger would have no appreciable effect on present or potential customers of Continental, but it would increase the unsecured lending limit available to Bank of Pennsylvania customers from $1.7 million to $7 million and make available to them a number of specialized services presently offered by Continental, but not by Bank of Pennsylvania. The demand in Berks County for such services and for loans above $1.7 million is limited, however, and no claim is made that any essential banking needs are going unmet today. What demand there is for these specialized services can apparently be

satisfied today by the two larger banks with offices in Reading or by the Philadelphia banks with offices in nearby Montgomery County. Continental, moreover, can introduce another local source for such services by branching *de novo* into Reading without the anti-competitive consequences of the proposed merger.

With $252 million in assets, Bank of Pennsylvania should be quite capable of meeting the normal banking requirements of the vast majority of its customers. These retail customers would experience little apparent benefit from the proposed merger and could, in fact, be adversely affected if Continental extended to them its significantly higher service charges on nonbusiness checking accounts. Considerations of convenience and need, therefore, would appear to weigh neither significantly for, nor significantly against, approval of the proposed merger.

Financial and Managerial Resources; Future Prospects. Both banks have satisfactory financial and managerial resources for the business they do as independent institutions, and both have satisfactory prospects for the future. The same would be true of the resulting bank if the merger were to be approved. While three of Bank of Pennsylvania's top four officers plan to retire during calendar 1972, it is the Corporation's view that qualified replacements are readily available to the bank, either by promotion from within or by outside recruitment.

Inasmuch as the anticompetitive effects of the proposed merger are not, in the opinion of the Board of Directors, outweighed by any other factors, the Corporation has concluded that the proposed merger of Continental and Bank of Pennsylvania should be denied. [12/22/71]

FEDERAL DEPOSIT INSURANCE CORPORATION

Re: Bank of Hawaii
Honolulu, Hawaii
Application for Consent to Merge
and Exercise Trust Powers

Basis for Corporation Denial

Bank of Hawaii, Honolulu, Hawaii, an insured, nonmember, commercial bank, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to merge with Hawaiian Trust Company, Limited, Honolulu, Hawaii (Trustco), a non-insured institution, under the charter and title of Bank of Hawaii.

Competition. Bank of Hawaii is the largest commercial bank in the State of Hawaii, with total deposits of $572 million, representing about 38 percent of commercial bank deposits Statewide. It has 58 authorized offices at locations throughout the Hawaiian Islands and eight other offices on various Pacific islands to the west. It has no trust department, although a State law enacted in 1965 permits commercial banks to exercise fiduciary powers and to merge with State-chartered trust companies.

There are only six other commercial banks in Hawaii, and the largest of these is First Hawaiian Bank, with total deposits of $495 million, representing about 32 percent of commercial bank deposits Statewide. The five remaining commercial banks range in deposit size from $71 to $112 million, representing 4.6 to 7.4 percent of total Statewide commercial bank deposits.

In November 1969, a consent decree terminated antitrust action filed in 1966 to enjoin First Hawaiian Bank's merger

with Cooke Trust Company, Limited. At the time of its merger, Cooke Trust Company was the third largest State-chartered trust company administering about 10 percent of the total trust assets of all such fiduciaries. One other commercial bank, American Security Bank, with total deposits of $112 million, recently established a trust department *de novo,* but its fiduciary activities have so far been limited to acting as custodian for corporate pension and profit-sharing plans.

Trustco is the largest of three independent State-chartered trust companies in Hawaii, administering trust assets valued at approximately $1 billion. It is estimated that Trustco controls some 50 percent of the total corporate fiduciary business in Hawaii. Bishop Trust Company, Ltd. is the second-ranking trust company, controlling some 35 percent of the total corporate fiduciary business in Hawaii, including the trust assets administered by a wholly-owned affiliate located in Hilo. Honolulu Trust Company, Ltd., the remaining State-chartered trust company holds a relatively insignificant portion of the corporate fiduciary business in Hawaii. Trustco's main office is in Honolulu on the island of Oahu, and a recently opened branch is located in Hilo on the island of Hawaii.

Since Bank of Hawaii does not operate a trust department, and since Trustco does not conduct a general commercial banking business, the only area of competitive overlap today involves local lending where Trustco's share of the total would be relatively small. Accordingly, the amount of existing competition between Bank of Hawaii and Trustco which would be eliminated by their proposed merger may be deemed not significant.

Consummation of the proposed merger, however, would eliminate the possibility of future competition between the largest commercial bank in Hawaii and the largest trust company in Hawaii. Under the State law enacted in 1965, Bank of Hawaii can enter the fiduciary field *de novo* as well as by merger. Trustco, for its part, can enter the commercial banking field by merger with a much smaller commercial bank or by merger with a *de novo* commercial bank. A merger between these two institutions is obviously not required to permit Bank of Hawaii to exercise fiduciary powers or to permit Trustco to engage in commercial banking activities.

The Corporation recognizes that the establishment of a *de novo* trust department by Bank of Hawaii is likely to involve initial operating losses, a major effort to recruit qualified personnel, and a period of years to generate the fiduciary business necessary to make its activities in this area profitable. Smaller banks than Bank of Hawaii have successfully done so, however, and achieved profitable operations within a reasonable period of time. Bank of Hawaii, moreover, would start with certain advantages smaller banks might not have. Its financial and management resources, including investment skills, are obvious advantages, but more importantly, its influential customer relationships in the commercial banking field should help significantly to attract the large fiduciary accounts that most consistently make a trust department operation profitable. Bank of Hawaii, furthermore, is likely to have considerable incentive to enter the trust area, as indeed this application confirms. Its principal commercial bank competitor recently acquired a much smaller and less profitable trust operation than Trustco's. With proper management, successful trust department operations may add not

only to the bank's profits but also to the bank's commercial banking business. Conversely, the absence of a trust department, when competitors have them, may in time inhibit the growth of Bank of Hawaii's commercial banking business. All of these considerations mark Bank of Hawaii as the one commercial bank most able and most likely to enter the trust field *de novo.*

In view of the concentrated nature of the commercial banking business in Hawaii and the even more concentrated nature of corporate fiduciary activities in the State, the Corporation believes Bank of Hawaii should be required to enter the trust business on a *de novo* basis, if it is to enter the field at all. The State has only two large commercial banks and two large trust operations. In both fields, the two largest institutions control 70 percent or more of the total business. There are, in addition, significant stockholdings by each of the two largest trust companies in each of the two largest commercial banks and a significant number of director interlocks and common stockholdings which intensify regulatory concern over the concentration of commercial banking and corporate fiduciary business in the State of Hawaii. Approval of the proposed merger would foreclose the substantial probability of increased competition in both fields, since Bank of Hawaii, as previously stated, is the one commercial bank in the State most able and most likely to enter the corporate trust field *de novo,* while Trustco is the corporate fiduciary most able to contribute significant new business to one of the smaller commercial banks or to enter the commercial banking field itself *de novo.* Approval of the proposed merger would serve also to perpetuate Bank of Hawaii's dominant position in commercial banking in Hawaii, and the dominant position of its trust department,

acquired from Trusteo, in the corporate fiduciary field. Finally, smaller commercial banks would have only one independent trust company of significant size remaining to which to refer the trust business of their customers.

While the immediate extension of trust services through bank of Hawaii's branch system would be convenient to at least some potential users of trust services and would enhance competition in this field with First Hawaiian Bank, the Corporation believes that the longer-term effect of the proposed merger "may be substantially to lessen competition" in both commercial banking and the corporate fiduciary business in the State of Hawaii, to restrict the public's choice of alternative sources for both commercial banking and corporate fiduciary services, and to concentrate still further the banking and corporate fiduciary business in a market which is already highly concentrated.

Financial and Managerial Resources; Future Prospects. Both institutions are in sound financial condition, ably managed and profitable. Each has enjoyed substantial growth, and their future prospects are bright, irrespective of whether the proposed merger is consummated. While these factors would also be favorable for the resulting bank, they add no significant weight to a determination on the merits of the application.

Convenience and Needs of the Community to be Served. If the proposed merger is approved, users of trust services in Hawaii might find it convenient to transact their trust business through one of Bank of Hawaii's 58 branches located throughout the Islands, rather than being forced to transact such business at locations in Hilo or Honolulu. This convenience would be somewhat limited, at least initially, since Bank of Hawaii proposes to have its trust

officers travel back and forth to branch locations as needed, centralizing its actual trust operations at its principal offices in Honolulu and Hilo. These arrangements would be similar to those now available at branches of First Hawaiian Bank. Whatever increase in convenience trust customers would actually experience as a result of the proposed merger, however, could also be achieved by Bank of Hawaii's establishment of a trust department *de novo*.

Based on the foregoing, the Board of Directors has concluded that the anti-competitive effects of the proposed merger are not clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served and that the application of Bank of Hawaii should, accordingly, be denied. [12/18/70]

FEDERAL DEPOSIT INSURANCE CORPORATION

Re: United Mutual Savings Bank
Tacoma, Washington
Application for Consent to Merge
and Establish Five Branches

Basis for Corporation Denial

United Mutual Savings Bank, Tacoma, Washington (United Mutual), an insured mutual savings bank with total deposits of $65,541,000, has applied pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act for the Corporation's prior consent to merge with State Mutual Savings Bank, Tacoma, Washington (State Mutual), an insured mutual savings bank with total deposits of $31,071,000. The participants would merge under the charter of United Mutual and with the title of State United

tual Savings Bank. As an incident of the merger, the offices of State Mutual would become branches of the ulting bank, increasing the number of its offices to ten.

npetition. United Mutual and State Mutual are mutual ings banks headquartered in Tacoma, Washington. In ermining the competitive implications of their proposed ger for purposes of Section 7 of the Clayton Act, as orporated into the Bank Merger Act as amended, con- eration must first be given to a definition of the line ines of commerce within which they compete.

enever the United States Supreme Court has considered competitive implications of mergers between commer- banks, it has found that the *decisive* "line of commerce" such purposes is commercial banking because of the que "cluster" of services which commercial banks alone offer. It has rejected the claims of defendant banks t the various services offered by commercial banks uld be considered as constituting separate lines of com- ce in which other types of financial institutions and n nonfinancial organizations may also compete. The rt's most recent bank merger decision (*United States Phillipsburg National Bank,* decided June 29, 1970) re- med its earlier views on this point, but indicated that bmarkets" for commercial banking "would be clearly vant, for example, in analyzing the effect on competi- of a merger between a commercial bank and another e of financial institution."

the State of Washington, where mutual savings and n associations have the option to become mutual savings ks (State Mutual converted at the end of 1969), where n types of institutions may pay interest on deposits w $100,000 at the same rates and each at rates higher

than commercial banks, where at least some differential in interest rates has persisted between thrift institutions and commercial banks at almost all times throughout the post World War II period, where both types of institutions are identified by the public as thrift institutions engaged primarily in mortgage lending, where both by statute have very similar powers, privileges, restrictions and liabilities, it would appear that the *decisive* line of commerce for assessing the competitive implications of a proposed merger of mutual savings banks should be "thrift institution banking" as offered by savings banks and savings and loan associations. As indicated, in the State of Washington, savings banks and savings and loan associations are uniquely able to compete for deposits under $100,000 and are generally considered interchangeable alternatives for thrift-type deposits and for deposit institutions emphasizing home mortgage lending.

The geographic area within which the proposed merger would have its greatest competitive impact is Pierce County (the Tacoma SMSA). Each institution has four offices in Pierce County, and each derives the bulk of its deposit and loan business from the growing residential areas of Tacoma and Pierce County. The proposed merger would also have a competitive impact in Kitsap County, since each bank has a fifth office in Bremerton, the county's largest community, and the State as a whole must also be considered, because it is the widest area within which savings banks in Washington may branch or merge.

The main offices of the two banks are eight blocks apart in downtown Tacoma, and their eight offices in Pierce County represented one-third of the 24 offices of savings banks and savings and loan associations located in the

county at year-end 1969. United Mutual is the second largest of the 9 thrift institutions in the area, based on Pierce County deposits, and held approximately 20% of such deposits at year-end 1969. State Mutual is the fourth largest thrift institution in Pierce County, and held approximately 9.5% of the Pierce County deposits held by such institutions on the same date. While the largest thrift institution in Pierce County would be slightly larger than the resulting bank, the proposed merger would create a second-ranking thrift institution having almost 30% of the Pierce County deposits held by all such institutions.* The share of such deposits held by the two largest thrift institutions in Pierce County would be increased from 52.7% to 62.3%, and the share held by the three largest would be increased from 69.6% to 79.1%.

In Kitsap County, United Mutual and State Mutual each have one recently established office, located about three miles apart in Bremerton. They are the only savings banks with offices in the county, but they also compete with two savings and loan associations. The percentage share of thrift institution deposits which they hold in Kitsap County is small but growing.

While it is obvious that significant deposit competition presently existing between United Mutual and State Mutual would be eliminated by the proposed merger, the

* Even if the competitive deposit market, despite the differential in rates, were broadened to include the time and savings deposits held in Pierce County at commercial bank offices—an inclusion which would significantly understate the competitive position of United Mutual and State Mutual in the market for accounts below $100,000—the percentages held by each (10.9% and 5.2%, respectively) would still be sufficiently high to indicate a substantial lessening of competition for such accounts within the meaning of Section 7 of the Clayton Act.

transaction would also eliminate the possibility of greatly increased competition between them in the future. Both may open *de novo* branches anywhere in the State of Washington, and each has demonstrated in Pierce and Kitsap Counties its ability and success in opening branch offices in locations where vigorous deposit competition is presented.

Based on the foregoing, the Corporation finds that the effect of the proposed merger "may be substantially to lessen competition" between thrift institutions in Pierce County within the meaning of Section 7 of the Clayton Act, as incorporated into the relevant provisions of the Bank Merger Act of 1966.

Convenience and Needs of the Community to be Served. Both United Mutual and State Mutual offer "on line" computer service to depositors, although significant business is also done by mail. Both pay the maximum rates on savings deposits and certificate accounts allowed by FDIC regulations. Both are profitable, well-managed and growing institutions. The application states that the resulting bank would extend FHA and VA mortgage lending services to the present offices of State Mutual, and that additional resources could be committed to central city and urban renewal needs in the Tacoma area. FHA and VA mortgage loans, however, are available at many of the financial institutions in Pierce County, and there has been no demonstration that the overall demand for such loans is going unsatisfied. As to additional lending in central city and urban renewal areas, United Mutual should be able to supply the sums mentioned even without the proposed merger by marketing a portion of its FHA loans through the newly formed Savings Bank Trust Com-

pany-Northwest and through similar secondary market operations. Finally, while applicants claim that the merger would result in certain economies of scale, similar economies of scale could be realized for each bank through other, less anticompetitive, mergers among the State's 71 thrift institutions.

On the record, the Board cannot find that the anticompetitive effects of the proposed merger are clearly outweighed in the public interest by the possible effect of the transaction in meeting the convenience and needs of the banking public in Pierce County.

Financial and Managerial Resources; Future Prospects. Both banks have satisfactory financial and managerial resources for the business they do as independent institutions, and both have satisfactory prospects for the future. The same would be true of the resulting bank if the merger were to be approved, but consideration of these factors adds no significant weight either to approval or denial of an application in which the proposed merger appears to violate Section 7 of the Clayton Act.

Based on the foregoing, the Board of Directors has concluded that approval of the application is not warranted and that it must, accordingly, be denied. [10/5/70]

FEDERAL DEPOSIT INSURANCE CORPORATION

Re: Washington Mutual Savings Bank
Seattle, Washington
Application for Consent to
Consolidate and Establish One
Branch

Basis for Corporation Denial

Washington Mutual Savings Bank, Seattle, Washington ("Washington Mutual"), an insured mutual savings bank with total deposits of $744,000,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior approval to consolidate with Grays Harbor Savings and Loan Association, Aberdeen, Washington ("S&L") which has total withdrawable balances of $4,700,000. The institutions would consolidate under the charter and title of Washington Mutual and the only office of S&L would become a branch of Washington Mutual, increasing the number of its offices to twenty-three. Five of these branches resulted from mergers approved in 1964 and 1965.

Competition. Washington Mutual is an ably and aggressively managed savings bank. It is, by a substantial margin, the largest mutual thrift institution today in the State of Washington, holding approximately 22.9 percent of the total deposits held by such institutions—a percentage share which has increased steadily over the past seven years from the 17.9 percent share held at year-end 1963.[1] The next

[1] For the reasons stated in its October 1, 1970, statement accompanying the denial of the application of United Mutual Savings Bank, Tacoma, to merge with State Mutual Savings Bank, Tacoma, the Corporation considers the *decisive* line of commerce for assessing the competitive implications of the proposed merger to be

largest mutual thrift institution in the State is a savings and loan association, headquartered in Tacoma, less than one-third the size of Washington Mutual, holding approximately 6.8 percent of the total deposits held by such thrift institutions. Only two other thrift institutions exceed $100 million in deposit size, while the remaining 71 range from very small institutions up to $85 million in deposit size.[2]

Savings banks and savings and loan associations in Washington may branch *de novo* or by merger throughout the State. Mutual savings and loan associations under State law may become mutual savings banks and the two types of institutions may merge with one another following such a conversion.

Washington Mutual operates twenty-two offices throughout the State, and has three additional offices authorized but unopened. Its office nearest to Aberdeen, where S&L is located, is in Olympia, the State capital, fifty miles to the east. Neither institution derives more than a nominal amount of business from areas presently served by the other, and their proposed merger, accordingly, would not eliminate any meaningful existing competition.

S&L is the fourth largest of five mutual thrift institutions serving approximately 62,500 people in the Aberdeen-Hoquiam area. The three larger mutual thrift institutions

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"thrift institution banking" as offered by mutual savings banks and mutual savings and loan associations in the State of Washington.

[2] Commercial banking is similarly concentrated in the State of Washington. Only two commercial banks exceed Washington Mutual in size and they hold 53.0 percent of total commercial bank deposits. Six other commercial banks exceed $100 million in deposit size, representing in the aggregate an additional 30.0 percent of total commercial bank deposits. Some 93 smaller commercial banks held the balance.

have, respectively, $30 million, $17 million and $9 million in withdrawable shares. Because of its limited resources and the distances involved, S&L is unlikely to branch *de novo* into areas now served by Washington Mutual but Washington Mutual has a proven capability and success in opening *de novo* branches, and could in the normal course enter the Aberdeen-Hoquiam area in this way if the proposed merger is denied. The proposed merger would eliminate this potential for increased competition between Washington Mutual and S&L in the Aberdeen-Hoquiam area.

More importantly, the proposed merger would establish a significant precedent for the approval of additional mergers in highly concentrated markets in the State of Washington and elsewhere, among commercial banks as well as mutual thrift institutions, with the cumulative effect of further concentrating the banking resources of a given market in the largest institutions which operate there. As such concentration continues, the public's choice of alternate sources of banking services is likely to diminish. Given the fact that Washington Mutual is more than three times the size of the next largest mutual thrift institution in the State and that it already controls 22.9 percent of total thrift institution deposits on a Statewide basis, approval of the proposed merger could easily lead to other merger proposals on the part of Washington Mutual to extend its branch system into new areas by the merger route rather than by the establishment of *de novo* branches, thus losing successive opportunities for increasing the public's choice of banking alternatives in each area. A denial of the proposed merger, on the other hand, would encourage S&L to seek out a different merger partner from among the State's 73 other mutual thrift institutions, thereby also preserving the possibility of more effective competition

against Washington Mutual in the future from among the State's other thrift institutions.

The Corporation believes that the Bank Merger Act as amended requires consideration of the long-term competitive implications of a proposed merger as well as its short-term effects. In situations where one of the institutions involved in a proposed merger already has such a large share of its potential market as Washington Mutual, the Corporation further believes that additions by merger to its existing strength should be avoided unless (i) significant improvements in banking service can be achieved only by consummation of the proposed merger or (ii) the condition of the institution to be merged is such that an immediate resolution of its problems appears to be necessary to prevent a failure.

Convenience and Needs of the Community to be Served. The proposed merger would bring to S&L's customers certain services not presently offered by S&L: FHA and VA mortgage loans, home improvement loans, limited personal trust services, student loans, and certain other types of personal loan services, all of which Washington Mutual can and does offer in accordance with State law. No claim is made, however, that any banking needs of the public in the Aberdeen-Hoquiam area are going unmet today, and each of these services appears to be available at one or more of the mutual thrift institutions or commercial banks with offices in the area. S&L and Washington Mutual, moreover, pay the same rate of interest on regular deposits, i.e., the highest permitted under current Federal ceilings, and S&L also offers 5¼ percent and 6 percent certificates. The slight benefit in convenience of having one more local source for the services offered by Washington Mutual but not by S&L

could also be achieved by S&L's merger with a number of the other mutual savings banks in the State. No finding, accordingly, can be made that there would be significant improvements in banking service in the Aberdeen-Hoquiam area or that these improvements can be achieved only by S&L's merger with Washington Mutual.

Financial and Managerial Resources; Future Prospects. The Corporation's examination of S&L as of the close of business July 13, 1970 disclosed a conservatively run association with no classified assets, minimal depreciation in the securities account, decent earnings, adequate surplus, and a record of slow deposit growth over the years. The only weakness in S&L's current condition involves the advanced age of its two principal operating officers (both of whom have been with S&L since 1924) and a lack of management depth. While the management succession problem could be resolved by the proposed merger, it could also be resolved by merger with a less dominant mutual thrift institution. The record, moreover, indicates no effort by S&L to recruit the successor management it claims to need or any inability on its part to pay the salaries needed to attract such management. In these circumstances, it cannot be said that the condition of S&L is such that an immediate resolution of its problems appears to be necessary to prevent a failure.

While the financial and managerial resources and future prospects of both institutions are consistent with approval, they lend no decisive weight to a determination on the application.

On these facts, the Corporation concludes that approval of the proposed merger is not warranted. [12/18/70]

FEDERAL DEPOSIT INSURANCE CORPORATION

Re: Washington Mutual Savings Bank
Seattle, Washington
Application for Consent to
Consolidate and Establish One
Branch

STATEMENT UPON RECONSIDERATION

Washington Mutual Savings Bank, Seattle, Washington ("Washington Mutual"), an insured mutual savings bank with total deposits of $744,000,000, was denied on December 18, 1970, the Corporation's prior approval to consolidate with Grays Harbor Savings and Loan Association, Aberdeen, Washington ("S&L"), an FSLIC-insured institution with total withdrawable balances of $4,700,000. A copy of the original Basis for Corporation Denial is attached. Washington Mutual and S&L then petitioned the Corporation to reconsider its original denial. The Corporation's Board of Directors, having done so, affirms its original denial with the following additional statement.

The applicants requested reconsideration on essentially three grounds: (1) that the Corporation improperly utilized a line of commerce limited to mutual savings banks and savings and loan associations in assessing the competitive impact of their proposed merger; (2) that the Corporation made certain errors of fact with regard to the potential competition issues presented by the application; and (3) that in any event the likely benefits to the convenience and needs of the community to be served and the resolution of S&L's management succession problem are such as to warrant approval of the application.

Line of Commerce. Whether or not commercial bank time deposits under $100,000 should be included with thrift institution deposit totals in assessing the competitive impact of a merger between thrift institutions under the Bank Merger Act is a much-debated question among lawyers, economists, bankers and public officials. The Corporation recognizes, of course, that commercial banks and thrift institutions are all deposit-type institutions and that in a sense they can all be said to compete in seeking to attract the savings of individual members of the public. The Corporation also recognizes that no definitive answer to this question has yet been given by the United States Supreme Court in its decisions under the Bank Merger Act as amended in 1966, all the decided cases having involved mergers of commercial banks.

One thing at least is clear. The United States Supreme Court, with apparent finality, has determined that commercial banking constitutes a separate "line of commerce" for purposes of analyzing the competitive aspects of commercial bank mergers,[1] despite the arguments presented to it that deposit and loan competition from financial institutions other than commercial banks should also be considered. Its exclusion of thrift institution deposits was particularly striking in the *Phillipsburg* case where the bulk of each bank's total deposits represented time deposits under $100,000 and where the bulk of each bank's total loans were real estate loans and mortgages—an asset and liability mix not too dissimilar from that of mutual savings banks and savings and loan associations. The Supreme Court

[1] *United States* v. *Philadelphia National Bank*, 374 U.S. 321 (1963); *United States* v. *Phillipsburg National Bank*, 399 U.S. 350 (1970). See also *United States* v. *First National Bancorporation*, Civil No. C-2413 (D. Colo., filed July 12, 1971).

expressly found error in the District Court's view that since the activities of the merging banks made them much more like savings institutions than like so many of the larger commercial banks, attention had to be given in the competitive analysis to different groupings of products and services within the more general line of commerce denoted by the term "commercial banking."

In its original denial of this application, the Corporation determined to exclude commercial bank time deposits from its analysis of the competitive effect of the proposed merger, looking instead solely to the deposits of mutual savings banks and the withdrawable shares of savings and loan associations. The Corporation cited its earlier decision involving the proposed merger of United Mutual Savings Bank and State Mutual Savings Bank, both headquartered in Tacoma, Washington, wherein it had said:

> In the State of Washington, where mutual savings and loan associations have the option to become mutual savings banks (State Mutual converted at the end of 1969), where both types of institutions may pay interest on deposits below $100,000 at the same rates and each at rates higher than commercial banks, where at least some differential in interest rates has persisted between thrift institutions and commercial banks at almost all times throughout the post World War II period, where both types of institutions are identified by the public as thrift institutions engaged primarily in mortgage lending, where both by statute have very similar powers, privileges, restrictions and liabilities, it would appear that the *decisive* line of commerce for assessing the competitive implications of a proposed merger of mutual savings banks should be "thrift in-

stitution banking" as offered by savings banks and savings and loan associations. As indicated, in the State of Washington, savings banks and savings and loan associations are uniquely able to compete for deposits under $100,000 and are generally considered interchangeable alternatives for thrift-type deposits and for deposit institutions emphasizing home mortgage lending.

The Corporation adheres to this view of the appropriate "line of commerce" for purposes of the proposed merger of Washington Mutual and S&L.

There is no doubt that in the State of Washington as elsewhere, commercial banks, especially those in major metropolitan areas, aggressively advertise their offering of so-called consumer time deposits which carry a rate of interest higher than the rate of interest paid on regular savings accounts. A member of the public interested in the highest return available to him at a deposit-type institution, however, is likely to turn to a mutual savings bank or savings and loan association which, since the end of World War II, have generally paid higher rates of interest than commercial banks on the same type of account. Under Federal regulations currently in force, these types of thrift institutions may offer a regular savings account, increasingly available on a "day-of-deposit-to-day-of-withdrawal" basis, at a maximum rate of interest of 5 percent per annum (compared with a 4½ percent maximum rate at commercial banks) and a rate of interest on time deposits ¼ percent higher than the maximum rate payable by commercial banks on accounts of less than $100,000 but of the same maturity.

Mutual savings banks and savings and loan associations, moreover, compete for the public's savings under operating rules that are different, in many basic respects, from those under which commercial banks operate. Besides their legal ability to offer higher maximum interest rates than commercial banks on comparable deposits, they are not required to maintain minimum reserves against their savings deposits, they have no holders of common stock to whom regular dividend payments must be provided, and they are permitted to set aside substantially higher tax-free reserves for loan losses than commercial banks. These differences in operating rules assist mutual thrift institutions to pay the higher rates of interest authorized by Federal regulation, to resist disintermediation, and to continue their role as the nation's principal source of residential mortgage money. The fact that legislatures and public agencies treat mutual thrift institutions quite differently from commercial banks supports the view that they should be considered a separate line of commerce from commercial banks for purposes of the Bank Merger Act.

Members of the public may, of course, wish to limit their banking business to one institution and may, for this reason, deliberately forego the additional increment of interest available at mutual savings banks or savings and loan associations, depositing even their excess savings at the commercial bank they also utilize for checking accounts or loans which the more restricted thrift institutions cannot offer. The rapid growth of time deposits at mutual thrift institutions, including those in the State of Washington,[1] and the

[1] Fixed maturity time accounts and other special accounts jumped from 1.3 percent of total deposits at mutual savings banks in Washington in January 1970 to 13.7 percent of their total deposits in January 1971. See May 1971 Annual Report of the Executive Vice President, National Association of Mutual Savings Banks, Table 3, Page 9.

stability of their regular savings deposits, make it clear, however, that the incremental interest advantage offered by such institutions is a meaningful difference to a substantial portion of the public and that such people will overcome any inconveniences involved to deposit their savings in a thrift institution rather than a commercial bank. Savings accounts at commercial banks and savings accounts at thrift institutions are not, therefore, interchangeable products for a significant portion of the public.

In summary, the Corporation believes that the unique ability of mutual thrift institutions to offer a higher rate of interest than commercial banks on consumer savings, the differences in the rules under which such institutions operate, and the differentiation between them which is made by a substantial portion of the public all warrant the treatment of mutual thrift institutions as a separate "line of commerce" for purposes of the Bank Merger Act.[1] The Corporation further notes that an agency determination to include commercial bank time deposits under $100,000 with the deposits of mutual thrift institutions in the same market would make the merger rules for thrift institutions demonstrably more lenient than the merger rules appli-

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[1] The Corporation recognizes that the powers of mutual thrift institutions have been expanding in a number of respects that bring them increasingly into competition for both loans and deposits with commercial banks, and that additional changes in interest rate ceilings and operating conditions may obliterate the distinctions upon which its determination of the appropriate "line of commerce" in these cases rests. If future changes in operating conditions make the division of commercial banks and mutual thrift institutions into separate lines of commerce factually untenable, it will be timely then to reconsider the proper line of commerce for both types of institutions.

cable to commercial banks.[1] The Corporation knows no reason of public policy why this result should be encouraged.

Potential Competition. In its original denial of the application, the Corporation indicated that neither Washington Mutual nor S&L derives more than a nominal amount of business from areas presently served by the other, and that their proposed merger, accordingly, would not eliminate any meaningful existing competition between them. The Corporation further found, however, that the proposed merger would eliminate the possibility of future competition between the two institutions (i) through *de novo* branching into the Aberdeen-Hoquiam area on the part of Washington Mutual, and (ii) through an alternative merger on the part of S&L with another mutual thrift institution which would not have Washington Mutual's 22.9 percent share of all thrift institution deposits in the State of Washington and which would preserve the possibility of more effective competition against Washington Mutual in the future from among the State's other thrift institutions.

A review of Washington State supervisory policy in authorizing *de novo* branches for mutual savings banks, together with such pertinent facts as the stabilized economy of the Aberdeen-Hoquiam area, its slow growth rate and

[1] This point can be illustrated by a geographic market containing five commercial banks and five thrift institutions of equal deposit size. Each commercial bank would be considered as having 20 percent of the market in its "line of commerce" under Supreme Court decisions, while each thrift institution would be considered as having a much lower percentage (possibly as low as 10 percent) of the market in its line of commerce if commercial bank time deposits under $100,000 could be included.

lower than average income levels, and the present population (approximately 7300 persons) per thrift institution office already serving that area, has caused the Corporation to revise its opinion that Washington Mutual "could in the normal course enter the Aberdeen-Hoquiam area" by *de novo* branching if the proposed merger is denied. There appears to be little likelihood of such entry in the immediate future if S&L merges with a mutual savings bank other than Washington Mutual, although the longer-range possibilities of *de novo* entry cannot be totally discounted.

The Corporation's earlier conclusion on this point was not, however, the principal reason for its denial of the application. That reason was stated in the original *Basis for Corporation Denial* as follows:

> More importantly, the proposed merger would establish a significant precedent for the approval of additional mergers in highly concentrated markets in the State of Washington and elsewhere, among commercial banks as well as mutual thrift institutions, with the cumulative effect of further concentrating the banking resources of a given market in the largest institutions which operate there. As such concentration continues, the public's choice of alternate sources of banking services is likely to diminish.

As the Corporation's original denial pointed out, Washington Mutual has more than 22 percent of all thrift institution deposits in the State, a percentage share three times larger than the second-ranking thrift institution.[1] Where

[1] Its percentage share of Statewide deposit totals if commercial bank time deposits under $100,000 are also included, would be

nstitutions in the same line of commerce may branch or nerge on a Statewide basis, the Corporation believes that he entire State should be considered one of the relevant eographic areas in assessing the likely competitive im- act of a proposed merger. It further believes that if nstitutions with 22 percent of a Statewide market are per- nitted to make further acquisitions without compelling easons based on public convenience and needs, two related esults are likely: (1) more such mergers would be en- ouraged both among thrift institutions and among com- nercial banks, thus concentrating even further the bank- ng resources of a given State into fewer and fewer hands, nd (2) effective competition with such dominant institu- ions would become increasingly difficult as possible merger artners and their offices are acquired by the dominant nstitution itself, rather than by a smaller institution which ould hope in time, by successive mergers, aggressive *de ovo* branching or both, to offer significant competition to he former throughout wide areas of the same State. In- eed, even if Washington Mutual is denied any further nergers, only three or four other thrift institutions of a ize approximately equal to that of Washington Mutual ould be created from all the thrift institution deposits in he State of Washington.

'he adverse precedent which the proposed merger might stablish, because of the share of the potential Statewide narket already held by Washington Mutual, can best be lustrated by noting that only 72 commercial banks in the ountry, out of a total approaching 14,000, have 10 per-

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lightly over 13 percent—a per tage share significantly lower han 22 percent, but one that would still raise a serious question s to the disposition of this application.

cent or more of the total commercial bank deposits in their respective States and only 29 have percentage shares exceeding 20 percent of the total commercial bank deposits in their respective States. Even fewer mutual thrift institutions would have a similar share of Statewide thrift institution deposit totals.

The Corporation is not persuaded by any of the material submitted on reconsideration that S&L is limited to a very few merger alternatives and that Washington Mutual is the most logical of these. There are 79 other mutual thrift institutions in the State of Washington, including some 70 savings and loan associations, from which S&L may legally seek a merger partner. Their capacity to absorb S&L's mortgage portfolio may vary, because of statutory or regulatory restrictions, but the effect of these restrictions has changed even within the past year. The Corporation is confident that S&L's directors can find a satisfactory alternative to the merger proposed if it is again denied.

Finally, the Corporation would reiterate the view expressed in its original denial:

> The Corporation believes that the Bank Merger Act as amended requires consideration of the long-term competitive implications of a proposed merger as well as its short-term effects. In situations where one of the institutions involved in a proposed merger already has such a large share of its potential market as Washington Mutual, the Corporation further believes that additions by merger to its existing strength should be avoided unless (i) significant improvements in banking service can be achieved only by consummation of the proposed merger or (ii) the condition of the institution to be merged is such that an immediate reso-

lution of its problems appears to be necessary to prevent a failure.

Public Convenience and Needs; S&L's Management Succession Problem.

The Corporation has reviewed again and reaffirms its earlier findings on the benefits to the public which may be expected to occur if this application is approved and also its findings with respect to S&L's management succession problem. It continues to differ with the applicants as to the weight which should be assigned these findings in reaching an overall conclusion on the application.

Based on the foregoing, the Corporation's Board of Directors again concludes that approval of the proposed merger of Washington Mutual and S&L is not warranted and should, accordingly, be denied. [7/30/71]

[The applicants in this case brought suit to set aside the FDIC's action; the case is pending in United States District Court, W.D. Washington, Civil No. 45-71C3.]

APPENDIX B

The table showing average expenses per $100 of total assets for differing numbers of equal-sized banks is based on analytical techniques developed by Bell and Murphy, who used 1965 Functional Cost data for commercial banks in the Northeastern United States, and 1970 expense data for the average $0-50 million deposit bank published by the 12 Federal Reserve Banks.[1] Bell and Murphy based their study of costs in banking on the economic theory of production. They defined the basic unit of bank output as the account, e.g. demand deposit, time deposit, and loan accounts. Furthermore, they hypothesized that the logarithm of total direct operating costs for a specific banking service is a function of the logarithm of the number of accounts for that service and the logarithms of other variables which controlled statistically the effects on costs of the average dollar size of an account, the activity of an account, the composition of accounts within a specific service, e.g. regular and special checking accounts, and other pertinent variables. Their cost functions also controlled for the effect of branching on operating costs. Statistical tests of the form of their cost functions showed that the cost functions were a good representation of the actual behavior of costs in the Northeast.

[1] Frederick W. Bell and Neil B. Murphy, *Costs in Commercial Banking: A Quantitative Analysis of Bank Behavior and Its Relation to Bank Regulation, Research Report No. 41,* Federal Reserve Bank of Boston, April 1968, pp. 40-45, 48-52, 69; *Functional Cost Analysis: 1970 Average Banks,* 12 Federal Reserve Banks. In 1970, 12,493 of 13,487 or 92.6 percent of all insured commercial banks had total deposits of $50 million or less. *Accounts and Deposits in All Commercial Banks; National Summary, June 30, 1970,* Federal Deposit Insurance Corporation, Table 5-2, p. 97.

1970 the typical Functional Cost bank with $0-50
on in deposits had $24.95 million in total assets. 54.9
ent of total deposits were time deposits and the in-
st rate paid on time deposits was 4.73 percent.[2] The
shows the total expenses for various types of banking
ices in the typical bank and the Bell-Murphy economies
ale factors.

Total Expenses and Economies of Scale Factors for Various Types of Banking Services for the Average Functional Cost Bank in the $50,000,000 or Less Total Deposit Class

Type of Banking Service	Total Expense	Economies of Scale Factor
Demand Deposits	$ 281,510	.9059
Time Deposits		
Operating Expense	66,924	1.0038
Interest Expense	579,508	1.0000
Installment Loans	117,217	.9665
Business Loans	71,506	.9172
Investments	14,064	.8033
Trust	34,459	.9355
Safe Deposit Box	11,816	1.0355
Real Estate Loans	32,655	.8447
Other	78,455	.9274
Total	$1,288,114	.9601

rces: *Functional Cost Analysis: 1970 Average Banks,* Federal Reserve Banks, pp. A1, B4A and Bell and phy, pp. 48-52.

The median bank, based on all insured commercial banks, paid percent on time deposits and time deposits constituted 54.1 ent of total deposits. *Source: Bank Operating Statistics:* , Federal Deposit Insurance Corporation, Table B and Table Thus, at least with respect to one of the banking industry's st expense items, the typical $0-50 million deposit Functional bank may be a good representation of the typical insured nercial bank.

Total expenses for each banking service include direct operating expenses which the bankers allocated themselves and indirect operating expenses which, although collected separately, are allocated to specific services by the Functional Cost Program.[3] Bell and Murphy estimated economies of scale factors for the various types of banking services net of indirect expenses; moreover, they estimated separate cost functions for business development, occupancy, and administration, which are three categories of indirect expenses. There may be some doubt about the appropriateness of applying scale factors developed from direct expense data to data which include arbitrarily allocated indirect expenses. However, the weighted economies of scale factor for direct operating expenses in Bell and Murphy's average bank for 1965 was .9252 and the weighted economies of scale parameter for indirect expenses was .9239. Because these factors are nearly identical, the individual economies of scale factors developed from direct expenses can probably be applied to the 1970 Functional Cost expense totals which include indirect expenses without distorting the results seriously.

In the table interest expense for time deposits has arbitrarily been assigned an economies of scale factor equal to one. This was done because there is little reason to believe that average interest costs of time deposits will change as the amount of time deposits changes.

The "other" expense category includes computer service, capital accounts, and all other expenses. Bell and Murphy did not derive an economies of scale factor for the "other"

[3] See pages B4-1 and B4-2 in *Functional Cost Analysis: 1970 Average Banks* for an explanation of how indirect costs were allocated to various banking functions.

ategory. Therefore, the scale factor is assumed to equal he weighted average of the other scale factors with the xception of that for interest on time deposits. Interest n time deposits was excluded from the computation be- ause it is a cost of obtaining funds as opposed to a cost f operations. The scale factor for the other category may e understated because part of the capital accounts expense s interest on debentures which is a cost of obtaining funds nd should have an economies of scale factor of one.

The weighted average economies of scale factor for pro- lucing all banking services in the same proportions as xists in the typical $0-50 million deposit Functional Cost ank is .9601. This figure was derived by multiplying each otal expense by its respective economies of scale factor, umming, and then dividing by the total expense figure of 1,288,114.[4] Based on this, the form of the Bell-Murphy ost function means that a 10 percent increase in total as- ets will cause a 9.60 percent increase in total expenses, as- uming that the proportions of banking services as well as heir specific characteristics remain unchanged as total as- ets increase.

[4] A more recent, but as yet unpublished study, using 1968 Func- ional Cost Data for 967 commercial banks in the United States erived the following economies of scale factors: demand deposits 9771, time deposits (operating expense) .9835, installment loans 9840, business loans .8761, real estate loans, .8139, investments 8245, and safe deposit box .9565. See Neil B. Murphy, "A Reesti- nation of the Benston-Bell-Murphy Cost Functions for a Larger Sample with Greater Size and Geographic Dispersion," Federal Deposit Insurance Corporation, Working Paper No. 71-22. The veighted economies of scale factor using the 1968 economies of scale factors is .9747 rather than the .9601 derived by using the 1965 economies of scale factors. Therefore, economies of scale in the banking industry are less substantial based on 1968 research results using a broader sample of banks than those based on 1965 research results using a narrower sample of banks.

Average expenses per $100 of total assets for banks with differing amounts of total assets are derived by using the total asset and total expense figures for the average $0-50 million deposit functional cost bank, the weighted average economies of scale factor of .9601, and the Bell-Murphy logarithmic cost function. This gives the following total cost function: log total cost = .99193 + .9601 log total assets; and an average cost function: log average cost = .99193 — .0399 log total assets. The negative sign of the coefficient of the log of total assets in the average cost equation indicates that average expenses decline as total assets increase. For example, a bank with $24.95 million in total assets has average expenses of $5.16 per $100 of total assets. Average expenses decline to $5.02 in a bank with $50 million in total assets.

JUL 21 1972

MICHAEL RODAK, JR., CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-703

UNITED STATES OF AMERICA,
Appellant,

v.

FIRST NATIONAL BANCORPORATION, INC.

and

THE FIRST NATIONAL BANK OF GREELEY,
Appellees.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

BRIEF FOR THE COMPTROLLER OF THE CURRENCY AS *AMICUS CURIAE*

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BRIEF FOR THE COMPTROLLER OF THE CURRENCY AS *AMICUS CURIAE*

INTEREST OF THE COMPTROLLER OF THE CURRENCY

The Comptroller of the Currency (Comptroller) has ecific bank supervisory responsibility over all national nks, including appellee The First National Bank of reeley and First National Bank of Denver, the principal "lead" bank of appellee First National Bancor-

poration, Inc. There were 4,600 national banks operating 13,106 branches as of December 31, 1971.[1] The Comptroller's supervisory responsibility includes the periodic examination of all national banks and the approval or disapproval of *de novo* branches for them. The Comptroller also possesses exclusive jurisdiction over applications to charter new national banks.

As part of his responsibility to supervise national banks, the Comptroller is required to approve or reject all mergers or consolidations of banks where the resulting institution is to be a national bank and to comment upon the competitive factors to the responsibile agency in any other type of bank acquisition.[2] In approving or rejecting mergers the Comptroller must apply statutory standards identical to those involved in this case.[3] In the instant case, the Comptroller advised the responsible agency, the Federal Reserve Board, of his judgment regarding the competitive factors and the Board subsequently approved the acquisition.

The Federal Deposit Insurance Corporation (FDIC) which must approve or reject under these same statutory standards mergers of state-chartered non-member banks, has filed a brief *amicus curiae* presenting its views. We believe that many of the FDIC's arguments are spurious or erroneous. While we believe that the statutes permit the FDIC to follow its views in the cases coming before

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[1] Annual Report of the Comptroller for 1971.

[2] Excepting holding company acquisitions of state-chartered banks. 12 U.S.C. 1828(c)(4), 1842(b).

[3] *Compare* Section 3(c) of the Bank Holding Company Act of 1956, 70 Stat. 134, as amended, 80 Stat. 237, 12 U.S.C. §1842(c), *with* Section 1(a) of the Bank Merger Act of 1966, 80 Stat. 7, 12 U.S.C. §1828(c).

we do not believe that the Court by its decision in this se should compel the Comptroller and the Board of overnors of the Federal Reserve System to adopt the DIC's peculiar conception of the nation's future nking structure. Our brief thus is directed more to ues raised by the FDIC than to the outcome of this rticular litigation.

SUMMARY OF ARGUMENT

The FDIC does not need any interpretations of the ayton Act to empower it to decide individual merger ses so as to further its conception of optimum state nking structures. The FDIC and the other banking encies have always had and have exercised a discretion hich is broader than the mandates of the antitrust laws.

The FDIC, in the guise of a request for guidance to elf, is really seeking to have this Court constrain the scretion of the Federal Reserve Board and the mptroller of the Currency in a manner which Congress ver intended.

The FDIC's conception of optimum state banking ucture reflects an institutional bias resulting from the nited size and local nature of the state-chartered nmember banks whose mergers it must approve. This nception emphasizing *de novo* growth of branch and lding company systems is unrealistic and beyond ayton Act requirements of reasonable probability.

This Court has held that commercial banking markets e essentially local. The probable effects of an acqui- ion on local markets is of greater significance than eculative future effects on projected statewide markets. he FDIC is free to give great weight to such future ssibilities if it wishes, but this Court should not require e other banking agencies to do so.

Willingness of an applicant to enter a market by merger does not indicate a willingness to enter *de novo*. Most of the factors to be weighed in merger cases involve subjective judgments. The factors emphasized by the FDIC are no more "objective" than those emphasized by the Comptroller.

Testimony by bankers as to their intentions with respect to particular markets is admissible and relevant. The credibility and amount of weight to be given such testimony is up to the District Court.

Contrary to the FDIC position, economies of scale are often important and significant in bank acquisitions.

The testimony of incumbent chartering officials as to whether they would approve the entry of new banks or branches into an area is not only admissible, but conclusive as to the probability of entry within the time period relevant to Clayton Act considerations.

ARGUMENT

I.

ESTABLISHING THE OPTIMUM BANKING STRUCTURE FOR EACH STATE IS A FUNCTION OF THE BANKING LAWS, NOT OF THE CLAYTON ACT.

The overriding justification asserted by the FDIC for its intervention is an alleged need for this Court to establish parameters of the Clayton Act for the guidance of the bank regulatory agencies as to which bank acquisitions they ought accept or reject. This alleged need, however, is based on the wholly erroneous premise that the FDIC must confine itself to the standards of the Clayton Act in passing upon merger applications, and otherwise possesses no discretion to attempt to create

through its decisions a competitive banking structure. In fact, however, all three banking agencies have exercised such discretion, and will continue to do so whatever the outcome of this case. What the FDIC is really asking the Court to do is to impose on the Board of Governors and the Comptroller the FDIC's conception of what the banking structure should be, a result clearly not intended by Congress.

A. The FDIC's Views on Statewide Banking Structure Are Permissible in its Inherent Discretion, but Are Not Mandated by the Clayton Act.

The FDIC argues that the banking agencies, in their merger decisions, "... must be allowed to check in their incipiency further increases in statewide concentration levels ...." (FDIC Br. 6).[4] It points out that the banking agencies "... may consider it necessary to deny a particular acquisition in order to prevent or to minimize an undue concentration of the total commercial banking resources of a particular state." (FDIC Br. 15). In a press release concerning the filing herein of its *amicus* brief, the FDIC explained:

> The principle [sic] concern of the FDIC is that the Court so word its opinion that the banking agencies know whether they should continue to consider questions of potential and future competition and state-wide banking structure in their decisions under the Bank Merger Act ....

FDIC Press Release 35-72 (5-22-72). The FDIC suggests that these questions are raised in this Clayton Act proceeding. (FDIC Br. 3)

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[4] "FDIC Br.__" refers to the brief submitted by the FDIC as *amicus curiae*; "App. Br.__" refers to the brief of the Department of Justice.

This expressed concern of the FDIC appears feigned. The same press release by the FDIC also stated:

> In recent years, however, bank regulatory agencies have regularly examined the possible elimination of potential competition between two applicants in their analysis of bank merger and bank holding company applications, and have denied proposed acquisitions on these grounds.

The FDIC has recently told a district court that:

> Under the Bank Merger Act the FDIC has the authority and the responsibility to disapprove certain proposed mergers which would not currently rise to the level of Sherman Act or Clayton Act violations . . . .[5]

Indeed, the FDIC submits as an appendix to its brief "... representative opinions by the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the FDIC denying applications at least in part on such issues . . . ," *i.e.*, "issues of potential competition in the future between the acquiring company and the bank it seeks to acquire, and . . . issues involving the future structure of commercial banking in a particular state." (FDIC Br. 3-4).

The authority of the banking agencies to exercise discretion on these issues of banking structure and banking competition is not bottomed on the Clayton Act. Thus, for example, long before this Court determined in *United States v. Philadelphia National Bank*, 374 U.S. 321, that the Clayton Act applied to banking, and long before this Court first enunciated the potential

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[5] *Washington Mutual Savings Bank, et al. v. FDIC*, W.D. Wash., Civ. No. 45-71C3 (1972), Defendant's Opening Memorandum in Support of Motion for Judgment on the Record, p. 2.

competition doctrine, the Comptroller had denied the acquisition of the second largest bank in Westchester County, New York, by the second largest bank in New York City on the ground that large scale entry by this merger would cause an unreasonable distortion and dislocation in the present and future banking structure of Westchester County not consistent with the public interest standards set forth in the Federal banking laws, despite his finding "that the effect of this merger would not be to substantially lessen competition or tend to create a monopoly or unreasonably restrain trade . . ." (*infra*, p. 25a). (Opinion reproduced in full in Appendix A.) Other similar decisions by the three banking agencies are found in Appendix A to the FDIC brief.[6] Additional instances where the competitive results sought by the FDIC or the appellant have been reached under existing law include 10 of the 13 cases in the New York study (FDIC Br. 8), and the developments in Colorado since appellees' application was filed (App. Br. 7, n. 9; 25, n. 28 and accompanying text; 33-34, nn. 33-35 and accompanying text).

Such decisions are based not on the Clayton Act, but on the inherent discretion vested in the banking agencies to help create a viable banking system through decisions on individual applications. See, *e.g.*, *Board of Governors v. Agnew*, 329 U.S. 441, 449 (Mr. Justice Rutledge, concurring); *Apfel v. Mellon*, 33 F.2d 805 (D.C. Cir.), *cert. denied*, 280 U.S. 585; Report of the

[6] The Federal Reserve Board has noted in an opinion not cited by the FDIC that "... any significant lessening of competition, even though it may not be such as to violate the Clayton Act, is to be weighed as an adverse consideration against any relevant favorable considerations." *First Bank Stock Corporation*, 46 Fed. Reserve. Bull., 486, 493 (1960).

Attorney General's Committee on Administrative Procedure, Sen. Doc. No. 8, 77th Cong., 1st Sess., at 142-143.[7] House Report No. 1221 on the Bank Merger Act of 1966 specifically noted that the factors listed in that statute " . . . would not preclude the banking agencies, charged as they are with general supervisory responsibility, from considering in any particular case such other factors as they might deem relevant." H.R. Rep. No. 1221, 89th Cong., 2d Sess., 4 (1966).

We thus believe it to be clear that Congress intended for the banking system to be structured by the statutes pertaining specifically to banking and defining the function of the banking agencies; and that Congress did not undertake in the Clayton Act to prescribe an optimum banking structure for each state. The banking agencies may not approve a merger which violates the potential competition tests of the Clayton Act, but it is also clear that the antitrust statutes do not impair the banking agencies' pre-existing discretion to " . . . consider the likely impact of a proposed acquisition on future competition within a broader area than the markets presently being served by the parties to the acquisition." (FDIC Br. 12). Thus there is no occasion for the Court in this case to consider the questions of statewide banking structure raised by the FDIC.

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[7] As recently as June of this year it was noted in *First National Bank of Fairbanks v. Camp*, No. 71-1367 (D.C. Cir. June 7, 1972) that:

> . . . the Comptroller could not be forced to approve the branch because his action would be within the scope of his discretion protected from mandamus or the normal standards of judicial review.

B. This Court Should Not at the Request of the FDIC, Whose Views Reflect its Regulatory Responsibility for Small Banks, Circumscribe the Congressionally Intended Discretion of the Comptroller and the Federal Reserve Board Concerning the Structure of the Banking System.

The inadequacy of the FDIC's stated interest in this case creates grave doubts as to the Corporation's posture before this Court. Since the bank regulatory agencies are not in the least inhibited in interpreting their public interest responsibilities much more broadly than whatever standards this Court may choose to set for the Clayton Act, it is apparent that the FDIC seeks not guidance as to its own conduct but rather it seeks constraints on the conduct of others, specifically, the Federal Reserve Board and the Comptroller. We respectfully suggest that, for this purpose, the FDIC does not have an interest sufficiently disparate from that of the Appellant herein to justify a separate brief. In any event, the FDIC's views are erroneous, and should not be interpreted by this Court into statutes governing the nation's banking system, and indeed the nation's entire economy.

1. *The FDIC's Views on the Competitiveness of Small Local Banks Are Contrary to the Comptroller's Experience with Statewide Banking Systems.*

We can readily understand how the discretion vested in the FDIC might lead it to foster a banking structure different from that which the Comptroller and the Board of Governors might envisage. The average bank supervised by the FDIC as of June 30, 1971, had $12.8 million in deposits. By contrast the average bank supervised either

by the Comptroller or the Board had $70 million in deposits—over five times as large. Banks supervised by the Comptroller or the Board held in total over 80% of the nation's total commercial bank deposits. Thus the FDIC might naturally think of small, local banks as the optimum competitor. Our experience, however, has been that parallel competitive policies are more likely in local markets dominated by local banks than when markets of similar size are occupied by holding company subsidiaries or offices of large branch bank systems. In California, for example, there are 144 commercial banks compared to 1,118 in Illinois; yet it is the former that offers—by far—the larger number of competitive options per market and a considerably higher level of competitive activity. The same comparison might be made between Virginia and Iowa, or North Carolina and Indiana. We believe that this high level of aggressive competition in local markets in California, Virginia, and North Carolina is due largely to the affiliation of local banks into statewide banking organizations. Thus, we disagree with the FDIC's conclusion that in states with "high concentration" (presumably Colorado qualifies), no bank of size ought be permitted to acquire any local bank, at least not one in excess of nominal size.

2. *The FDIC's Suggestion of Development of De Novo Statewide Systems Is Speculative and Does Not Meet the Clayton Act Test of "Reasonable Probability."*

The FDIC apparently would like to retain the larger local banks and also develop statewide chains through *de novo* entry. This is unrealistic. A market served by a large average number of banks could not be broken into except

at the cost of years of losses [8] and acceptance of a modest ultimate share. Assuming an organization determined to enter other markets despite such a cost, we wonder how many it could reach in a decade or two. Even a large wholesale bank could not subsidize more than one or perhaps two such markets at a time. It would take several lifetimes for such an organization to become statewide. But then we would have only *one* statewide organization. To have more than one we would have to assume several organizations indifferent to their shareholders reasonably short run interests. Even one such organization strains credibility.

Thus we suggest that the FDIC's approach in fact would delay the development of competitive statewide banking systems. And, in any event, the adoption of such a speculative conception of the banking structure is not mandated by the Clayton Act. The standards of the Clayton Act, as we understand them, are not aimed at mere possibilities.

In *Brown Shoe Co. v. United States*, 370 U.S. 294, this Court, with regard to the standards of proof in a §7 Clayton Act case announced at p. 323:

> . . . Congress used the words *"may be* substantially to lessen competition" [the Court's emphasis], to indicate its concern was with probabilities, not certainties. Statutes existed for dealing with clear-cut menaces to competition; *no statute was sought for dealing with ephemeral possibilities.* Mergers with a probable anticompetitive effect were to be proscribed by this Act . . . . (Emphasis supplied)

Thus appellant must demonstrate " . . . a reasonable probability that the acquisition is likely to result in the

[8] Our experience with newly chartered national banks is that a minimum of two years elapses before the operation begins to earn even a modest profit.

condemned restraints." *United States v. DuPont & Co.*, 353 U.S. 586, 607.[9]

Thus a basic question in every potential competition case is whether or not the acquiring bank would in reasonable likelihood have entered the market of the acquired bank, but for the merger. This question cannot be answered–as the FDIC and appellant seem to suggest–by assuming that willingness to enter a market by merger demonstrates willingness to enter *de novo*. Such a solution would make every merger illegal, and for this reason was rejected in *United States v. Crocker-Anglo National Bank*, 277 F. Supp. 133, 184-185 (N.D. Calif., three judge court):

> The second proposition is that proof of entry or desire to enter by *merger* does not by itself prove the ability or desire to enter *de novo*. Many of plaintiff's proposed findings are based on this premise. If this line of reasoning were followed, all mergers would be illegal. In all cases the fact of merger, or contemplated merger, demonstrates a desire to achieve the advantages of the merger. Plaintiff states: 'Crocker-Anglo had long been interested in moving into the rapidly expanding Los Angeles area', and it speaks of 'Crocker–Anglo's desire to move into Los Angeles'. The Government's propositions are true only if we add, 'by merger', to them. Upon analysis, therefore, the Government's propositions are simply another way of stating that all mergers (except of failing businesses), are illegal or that 'the most obviously illegal aspect of the proposed merger is the merger

[9]See also *United States v. Penn-Olin Chemical Co.*, 246 F. Supp. 917, 934 (D. Del.) aff'd by an equally divided Court, 389 U.S. 308.

agreement itself". This approach was clearly rejected in the majority opinion in *Penn-Olin*.

The speculative nature of the FDIC's position is shown y its complete lack of any suggested time frame for the ossible competition it foresees. We believe, however, iat a predicted time frame is critical, *i.e.*, that in proving n alleged Clayton Act violation based on potential ompetition it must be shown that—but for the merger—ompetition between the acquired and the acquiring bank likely to develop within a reasonably foreseeable span f time. The Westchester County opinion found in ppendix A again serves to illustrate our point. There the omptroller found that the Westchester banks had not een as competitive in their rate structures as had the ew York City banks. This factor argued *for* the cquisition under consideration since the more competi-ve New York City rates would then more quickly come bear upon the Westchester system. But because estchester had just been opened to branching by New ork City banks which were anxious to follow their istomers to the Westchester suburbs and because the omptroller was willing to grant and the market was able support a large number of additional branches if the estchester banks did not promptly react in an appro-iate competitive fashion, the Comptroller could opt for *novo* entry.

In Greeley, however, there is an entirely different fact ttern. The Community is not a suburb of Denver; the enver banks have no impelling drive to charter new nks in Greeley and the market is not one where the omptroller would be inclined to grant new charters ther now or in the reasonably foreseeable future. Add these factors the competitive weakness of the bank to acquired, and it was not unreasonable for the Federal

Reserve Board to determine that merger was the appropriate direction for that market. Surely the Board was not precluded from reaching this conclusion either by the Clayton Act or by the speculative banking structure foreseen by the FDIC.

3. *The FDIC's Views on Economies of Scale Are Unsupported and Erroneous.*

There is no concrete or meaningful data presented by the FDIC to support its conclusion that economies of scale—particularly in affiliated, chain, or branch banking groups—are insignificant. (FDIC Br. 17). The FDIC's startling assertion of this conclusion can be explained only by an institutional bias of that agency in favor of the small banks which, for the most part, compose its regulatory constituency. The only actual data presented by the FDIC is drawn from an analysis of the 1968 operating costs of a "nationwide sampling of 972 banks," from which the FDIC concludes "that consolidation of unit banks into multi-office or multi-bank organizations does not result in significant economies of scale in operations." (FDIC Br. 18). The data, however, supports an opposite conclusion. In the case of business loans, the FDIC brief reports that a 10 percent increase in output led only to an 8.761 percent increase in costs. Similarly, a 10 percent increase in the output of real estate loans led only to an 8.139 percent increase in costs and a 10 percent increase in "securities and investments" led only to an 8.245 percent increase in costs. A fourth function, demand deposits, also showed a lessening of unit costs as output increases although the divergence was less substantial; a 10 percent increase in demand deposit accounts led to an increase of 9.771 percent in the cost of servicing such accounts. Thus, of the seven commercial bank ser-

vices studied, significant economies of scale were found to exist in three, and smaller economies were realized in a fourth.

The only other data presented by the FDIC is, as we understand it, completely hypothetical. A specific cost equation developed by researchers in 1968 from the manipulation of 1965 data is applied to information gathered from some other survey in 1970 to produce a mythical table of figures of relative costs of various classes of small banks–all under $50 million in depsoits. (FDIC Br. 18-20 and 86-90). In addition to being wholly speculative and not introduced into the record before the district court, these figures in no way support the FDIC's contention (FDIC Br. 17) that statewide banking systems–which tend to be $500 million or larger–do not realize economies of scale.[10]

Finally, many of the authorities referred to by the FDIC (FDIC Br. 17-18, nn. 13-14) do not support the propositions for which they are cited, as the following quotations indicate:

David A. Alhadeff:

> "... there is certainly a strong presumption that branch banking per se as compared with smaller unit banks, provides net economies in making small loans.[11]

Paul M. Horvitz, Director, Division of Research of the FDIC:

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[10] Indeed, if statewide systems do not generate economies of scale, it seems most unlikely that such a system could ever be created by *de novo* entry as envisoned by the FDIC.

[11] David A. Alhadeff, *Monopoly and Competition in Banking* (Berkeley: University of California Press, 1954), p. 105.

[With reference to the ratio of current operating expenses to loans and investments]

" . . . current operating expenses tend to decline as bank size increases. In every year there was a decline over the first three size groups. In every year the largest size group had the lowest costs and in most years the next largest group was second lowest. The declines were usually sizable from the smallest to the third smallest group, and from the next largest to the largest, but over the middle range of bank sizes there was virtually no decline.[12]

Neil B. Murphy:

"For those activities requiring more skilled human resources than the 'factory' operations of the typical bank there were significant economies of scale. . . ."[13]

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[12] Paul M. Horvitz, "Economies of Scale in Banking," in Commission on Money and Credit, *Private Financial Institutions* (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1963) p. 14.

[13] Neil B. Murphy, "A Re-estimation of the Benston-Bell-Murphy Cost Functions for a Larger Sample with Greater Size and Geographic Dispersion," FDIC, Working Paper No. 71-22, p. 6. See also Lyle E. Gramley (Associate Director, Division of Research and Statistics, Board of Governors, Federal Reserve Systems) "Interpretation of Size-Cost Relationships in Banking," *Monthly Review*, Federal Reserve Bank of Kansas City, March, 1961, p. 9:

"The cost advantages of larger banks in the District . . . appear to result both from higher efficiency in the performance of regular banking functions comparable to those performed at small banks and from the acquisition of earning assets in larger dollar amounts."

Stuart I. Greenbaum, "Competition and Efficiency in the Banking System–Empirical Research and its Policy Implications," *Journal of Political Economy*, Vol. 75, No. 4, Part II, Supplement: August, 1967, p. 470:

"Not only are there savings attendant to increases in plant size, but, in addition, cost reductions accompany increases in

In short, the FDIC's conclusions on economies of scale e unsupported and erroneous.

C. This Court Has Held the Local Banking Market To Be the Appropriate One for Applying the Clayton Act.

This misinterpretation in the FDIC brief of the gnificance of economies of scale leads in part to the DIC's erroneous conclusion that the banking agencies ould tolerate small, non-competitive local banks for me unspecified period of years. By contrast, we believe at statewide banking systems in a given local market ually operate more efficiently, compete with each her more vigorously, and offer the banking public the me or better services at a lower cost. Since "commercial alities in the banking industry make clear that banks nerally have a very localized business," *United States v. illipsburg National Bank*, 399 U.S. 350, 362,[14] the obable effect of the merger in the local banking market far more significant than the effect which the FDIC resees on a mythical, statewide banking market. deed, we wonder what the decision of this Court might ve been in *Phillipsburg* if the competitive impact had

firm size when output per plant is held constant. This suggests that grouping independent unit banks into branch systems results in savings even if the output of each element in the system is unchanged."

d, Carter H. Golembe, "The Politics of the Payments System, rter H. Golembe Associates Monthly Letter, Vol. 1970-9, p. 5:

"... whatever advantages big banks have over small, and they have many, will be further intensified as the cost realities of high volume automation begin to show."

[14] See also *Philadelphia National Bank, supra*, 374 U.S. at 361; *ited States v. Crocker-Anglo National Bank, supra*, 277 F. Supp. 170 n. 29.

been measured in terms of the State of New Jersey, as the FDIC here advocates, rather than in Phillipsburg and its environs. While there is nothing prohibiting the FDIC from analyzing bank acquisitions in the widest possible geographic area if it so chooses (and it needs no assent from this Court to do so), we do not understand the appellant either in this case or on other potential competition cases since *Crocker-Anglo, supra*, to contend that state boundaries establish the appropriate limits within which to measure under the Clayton Act the possible effects of a proposed merger.[15]

II.

THE CRITERIA SUGGESTED BY THE FDIC FOR IDENTIFYING POTENTIAL ENTRANTS ARE SUBJECTIVE. TESTIMONY OF BANKS AND GOVERNMENT REGULATORY OFFICIALS IS RELIABLE EVIDENCE IN EVALUATING SUCH CRITERIA.

The FDIC argues for the adoption of so-called "objective" criteria in evaluating the likelihood of a particular bank or bank holding company entering a local market *de novo*. A review of the suggested criteria, however, shows many of them to be subjective–*i.e.*,

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[15] We understand appellant to refer in its argument (App. Br. 23-28) to a possible statewide concentration of banking resources solely to show that there are few potential entrants into Greeley, thus making "even greater" the alleged "anti-competitive effect of an acquisition that eliminates a significant potential banking competitor . . ." (App. Br. 23). In any event, the evidence on this issue in the district court (see, *e.g.*, DX2) appears to support a contrary conclusion, thus making this record an inappropriate vehicle to support the Court's adoption of an entirely new standard for the relevant geographic banking market.

matters of opinion and judgment. Moreover, the FDIC argues that the testimony of the persons most experienced in making such judgments should be viewed as inherently unreliable and not a permissible basis for the district court decision. It is clear, however, that such persons are more qualified than anyone else to testify on the criteria suggested by the FDIC, and that the district court must hear and weigh their testimony.

A. The Suggested "Objective" Criteria for Determining Likelihood of Entry Are Actually "Subjective."

In evaluating the capacity of a firm to enter a market and the attractiveness of that market, the FDIC suggests that the following factors, *inter alia*, be considered: managerial resources, experience, the vigor of competition likely to be encountered, and the area's growth potential and prospects. (FDIC Br. 7). Appellant similarly urges consideration of the economic incentive to enter a market, the reasonable prospects for successful entry, and the acceptability of entry to prudent management. (App. Br. 30). Both FDIC and appellant label these criteria "objective." All these suggested criteria, however, are matters upon which reasonable men could have differing opinions. Labelling such criteria as "objective" rather than "subjective" is a meaningless exercise in semantics. It is clear that expert testimony is needed on each of these suggested factors.

B. Bank Officials Are the Most Competent Witnesses to Testify as to the Bank's Incentive for De Novo Entry.

The FDIC also raises questions of evidence in applying its suggested criteria. It asserts that these matters "... should not be resolved on the basis of expressions of present management intentions." (FDIC Br. 9). Likewise appellant suggests that the district court's determination of potential *de novo* entry "... cannot depend upon management's stated economic preferences as between independent entry and entry by acquisition ..." (App. Br. 36). These arguments, which would prohibit the district court from relying upon such testimony, are in effect no different from the now discredited exclusionary rule prohibiting a party in interest from testifying as to his intent. See II Wigmore, Evidence, §581 (3rd ed. 1940). This Court at least as early as 1909 rejected such an exclusionary rule. *Crawford v. United States*, 212 U.S. 183, 202.

The appellant's brief itself illustrates why such testimony is critical to the district court. Appellant states: "Decisions must be made by bank executives in light of the most immediate profit advantages to their banks ...." (App. Br. 30). Similarly appellant refers to the "economic incentive" to enter a new market, and to the announced policy of appellee First National Bancorporation to expand so as to "generate the highest profits to shareholders." (App. Br. 30, 31, 33). These factors bear heavily on the ultimate test suggested by appellant: "... whether, considering all the circumstances, independent entry in the future is a reasonable choice for prudent management ...." (App. Br. 36). The bank officials involved have knowledge of all the factors bearing on this question, and their interest in maximizing

the firm's profits makes them more qualified than anyone to testify. Indeed, appellant admits that bankers already in the market place " . . . will not be aware of the relative profit advantages to an outside firm that bear on management's determination whether to enter independently, or by acquisition, or not to enter at all." (App. Br. 32).

In disputing the use of testimony by bank officials, the FDIC argues that the self-interest of bank management favors " . . . amalgamations that may be the least desirable from the standpoint of encouraging the greatest public choice of banking alternatives . . . . " (FDIC Br. 10). Appellant similarly urges that " . . . . their business judgments do not depend on preserving the industry structure that is most likely to encourage competition." (App. Br. 30). Even if true, these arguments do not support the contentions that testimony of management officials as to the business desirability of a different course of conduct, independent entry, should be disregarded. Just because independent entry may be viewed by some lawyers, economists, or even courts as lawful and more competitive does not assure that prudent management will evaluate the firm's "capability," the market's "economic incentive" and the "reasonable prospects for making such an entry successful" so as to opt for *de novo* entry.

All that is really involved on this testimonial issue is a question of balancing evidence; a question of the sort usually left to the district court. *Guzman v. Pichirilo*, 369 U.S. 698; Fed. R. Civ. P. 52(a). The various so-called "objective" factors listed by the FDIC and the appellant as favoring independent entry presumably were available in the district court for cross-examination of the manage-

ment testimony which appellant finds so damaging. After this opportunity for cross examination, the district court found the sworn testimony presented by appellees to be "uncontradicted." (J.S., App. A, p. 49). It remains only to be said appellant relies on what it considers to be favorable subjective testimony by bankers,[16] and that this Court apparently has approved the practice.[17] In short, the district court may receive and rely upon the testimony of bank officials to the same extent as any other competent evidence.

C. The Intent of the Chartering Authorities Is Conclusive on the Question of Entry, and the Evidence in this Case Established that Intent.

The FDIC argues that the intent of the bank chartering authorities not to authorize *de novo* entry should not be treated as "conclusive." (FDIC Br. 11-12).

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[16]Appellant cites with approval the subjective testimony of the President of the State Bank of Greeley (App. Br. 52); a banker in Greeley (App. Br. 54, n. 49); the testimony of the President of the Security National Bank (App. Br. 59, n. 56), and a banker in Greeley (Jurisdictional Statement, 18, n. 23).

[17]In *United States v. First National Bank*, 376 U.S. 665, 669, the Court apparently relied upon "... testimony in the record from three of the four remaining banks that the consolidation will seriously affect their ability to compete effectively ...." In *Penn-Olin, supra*, the district court on remand heard testimony as to the management's intentions. Other district courts in banking cases also have relied upon such testimony. *United States v. Crocker-Anglo National Bank, et al.*, 277 F. Supp. 133 (N.D. Cal.); *United States v. First National Bank of Jackson, et al.*, 301 F. Supp. 1161 (S.D. Miss.); *United States v. First National Bank of Maryland, et al.*, 310 F. Supp. 157 (D. Md.) *United States v. Idaho First National Bank, et al.*, 315 F. Supp. 261 (D. Idaho).

Appellant, referring to the only evidence on this subject, suggests that "There is serious question whether the evidence of the Regional Administrator of National Banks is admissable on such a question." (App. Br. 41). Consideration of these contentions must begin with the indisputable proposition that: "Entry is, of course, wholly a matter of governmental grace." *Philadelphia National Bank, supra*, 374 U.S. at 367 n. 44. One may reach a favorable conclusion on all of the criteria which the FDIC includes in bank "capacity" and market "attractiveness," and even assume a stated willingness of management to enter the market independently; the bank still cannot be considered a potential entrant unless plaintiff demonstrates to the court a "reasonable probability" (see p. 11, *supra*) of regulatory approval. [18]

This distinction between banking and non-regulated industries was noted by the court in *United States v. Crocker-Anglo National Bank*, 223 F. Supp. 849, 859 (N.D. Calif., three judge court):

> In this case there is another special circumstance which makes *proof* of probable prospective competition by Crocker-Anglo through establishment of *de novo* branches in the Los Angeles area well-nigh impossible. Unlike a grocery chain or a hardware merchant or a steel manufacturer who can establish new outlets or plants where he wishes, Crocker-Anglo cannot establish a branch bank anywhere without approval of bank supervisory authorities. Whether the Comptroller would permit the establishment of sufficient branching in this area is so uncertain as further to throw this whole question into the field of speculation . . .

[18] Conducting an unauthorized banking business in Colorado is punishable by fine and imprisonment. Colo. Rev. Stat. 1963 Sec. 14-12-1 (1969).

Similarly, the court in *United States v. First National Bank of Jackson*, 301 F. Supp. 1161, 1199 (S.D. Miss. 1969)[19] held:

> It goes without saying that in the absence of permission from the appropriate regulatory authority, namely the Comptroller of the Currency, a national bank may not branch *de novo. A denial of such permission absolutely removes an applying bank as a potential de novo entrant into a market area*, at least until such change of circumstances as to warrant a reconsideration by the Comptroller. Thus *all firms can be excluded as potential entrants whose request for entry would be denied, because it is impossible to be a potential entrant if the appropriate permission therefor is not forthcoming.* (Emphasis supplied.)

Indeed, in the *Jackson* case plaintiff's own witness testified that one of the criteria " . . . to identify all likely potential *de novo* entrants . . . " was " . . . the legality of entry . . . . "[20]

In advocating its position, the FDIC speaks from the limited viewpoint of an agency whose approval is not required for new bank charters[21] and whose responsibility in the branching area is limited to ratification of state action. The Comptroller has full responsibility in both areas, as well as with respect to mergers, and must be guided by the Congressional

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[19] Neither of these cases, nor any other case involving similar district court holdings (See, n. 17, p. 22, *supra*), were appealed to this Court.

[20] Transcript of trial at 285, testimony of Dr. Elizinga.

[21] Newly chartered national banks receive FDIC insurance upon the Comptroller's certification. 12 U.S.C. 1814. Newly chartered state non-member banks may apply to the FDIC for insurance. 12 U.S.C. 1815.

objectives in statutes relating to new banks and branches. An example will demonstrate the problems involved. Suppose National Bank (A) applies for permission to establish a branch in a new market. The Comptroller, after full consideration of all relevant facts, makes the judgment that the new market will not reasonably support another branch and therefore, as is required under the law, denies the branch application. Subsequently, Bank (A) applies for permission to merge with Bank (B), which is located in that same new market. If the Comptroller should deny the merger application on the grounds of availability of the branching alternative, what would be the likely reaction of a reviewing court to an appeal based on the proposition that—either in the branch case, the merger case, or both—the Comptroller had been arbitrary and capricious? It would seem clear that the Comptroller would not be heard to say, in the one case, that the branching alternative is open, and in the other that it is closed. Could he conscientiously deny the merger proposal on the ground that, although he does not presently feel that a branch in the new market would be in the public interest, he might change his mind in the future or his successor might feel differently and that these possibilities ought be preserved? Should he, in the interest of uniform standards, deny the merger on the grounds that a court, at the instance of the Department of Justice, might disagree with his experienced view on the capacity of the market to support a *de novo* branch? Or ought he suggest that Bank (A) could convert to a state charter, on the supposition that the state supervisor might feel more favorably disposed toward a branch, and that possibility ought be preserved. If, as we believe, the Comptroller could not properly assert any of these positions, then he should not deny the merger on the

grounds that the applicant is a potential entrant through *de novo* branching.

The FDIC suggests that this Court should ignore the opinions of state regulatory officials as to the likelihood of their issuing a *de novo* charter because state banking laws focus on a bank's prospects for successful operation, and such a focus is at odds with the underlying purposes of the federal antitrust laws. The Comptroller has previously made an analagous contention with regard to the applicability of similar state laws to national bank branching. In 1971, for example, the Comptroller approved a branch of Wachovia Bank and Trust Company, N.A., to be established in Hickory, North Carolina, reasoning in part that " . . . the additional competition will stimulate the existing banks to maintain and improve their services in an effort to maintain their market shares" (*infra*, p.41a), and that " . . . Wachovia is a statewide bank which ought to be permitted a branch in a town of industrial importance such as Hickory" (*infra*, p. 42a). (Opinion reproduced in full in Appendix A). The Comptroller believed that such considerations, based upon federal antitrust policy, made it unnecessary for him to consider a possibly inconsistent state law requirement that the branch ". . . meet the needs and promote the convenience of the community . . . " (*infra*, p. 38a). However, the courts rejected the Comptroller's contention and held that the state statute was indeed applicable to national bank branches, citing this Court's decisions in *First National Bank of Logan v. Walker B. & T. Co.*, 385 U.S. 252; and *First National Bank in Plant City v. Dickinson*, 396 U.S. 122, and thus overturned the Comptroller's decision. See *First National Bank of Catawba County v. Wachovia B. & T. Co., N.A.*, 325 F. Supp. 523 (M.D. N.C.), *aff'd. per curiam*, 448 F.2d 637 (4th Cir.).

Thus the FDIC's suggestion that the courts can safely ignore the testimony of state regulatory officials, whose job it is to execute such state statutes, is without foundation. As illustrated by the Comptroller's experience in the *Wachovia* case, the entire framework of federal and state regulatory laws–including restraints on *de novo* entry as well as on branching–is designed to limit competition to a certain extent in order to assure profitable, and thus sound, banks. This Court noted in *Philadelphia National Bank, supra*, 374 U.S. at 328, that under existing statutes:

> A charter for a new bank, state or national, will not be granted unless the invested capital and management of the applicant, and its prospects for doing sufficient business to operate at a reasonable profit, give adequate protection against undue competition and possible failure.[22]

Unless the FDIC is prepared to argue that state regulatory statutes which restrict banking competition are void as being in conflict with federal antitrust laws, and therefore to be ignored by courts and regulatory officials, it must concede that these statutes are in effect and applicable. That being so, *de novo* entry may be as justly precluded by such laws as it might be for any other lawful reason. The bank or bank holding company involved still cannot be a potential entrant without regulatory approval.

Once the necessity to demonstrate probable regulatory approval is established, then the only question is the form

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[22] Thus the considerations in chartering a new bank are not limited, as appellant seems to suggest, solely to a survey of existing banks for serious financial problems or possible failure. (App. Br. 44).

in which such evidence may be presented. Here we agree with the statement of the FDIC that (FDIC Br. 7-8):

> Each federal bank supervisory agency has experience with applications for *de novo* entry into new markets by banks under its supervision, either by the establishment of branch offices or by the establishment of newly-chartered affiliates. Each agency has, therefore, some expertise regarding the characteristics of banking markets which attract efforts at entry and as to the capacity of individual banks or banking organizations to effect entry into a given market by means other than a proposed acquisition.

In view of this obvious expertise, we are at a loss to understand appellant's reservations over the admissability of expert opinion from the regulatory agencies, (App. Br. 41).

Both the FDIC and the appellant offer various reasons why oral testimony of regulatory officials should be discounted, such as possible changes in the statutes, in regulatory personnel, or in economic conditions. Appellant suggests (App. Br. 41) the testimony given here by the Regional Administrator of National Banks is " . . . an 'advisory opinion,' not based on concrete facts presented by a specific application,"–although appellant does not suggest how such testimony is based on any fewer facts than the testimony of other expert witnesses presented at trial. Such considerations seem to us to be a part of the evidence-weighing process engaged in by trial courts and normally not disturbed on appeal. *Guzman v. Pichirilo, supra*. We would suggest only the caveat that the Clayton Act deals with what is "reasonably probable," and most of

the factors suggested by the FDIC and the appellant seem highly speculative. Finally we reject as totally unwarranted and unsupported by the record the suggestion of appellant (App. Br. 41-42) that the Regional Administrator of National Banks, an officer of the United States, was subject to pressures which would affect his testimony under oath before the district court.

CONCLUSION

The banking agencies have authority to deny acquisitions which do not violate the Clayton Act. There is therefore no need to establish any special Clayton Act parameters in a bank case at the request of the FDIC.

Appellants' and FDIC's listing of applicable criteria are no more "objective" than those emphasized by the Comptroller. The agencies and District Courts must weigh the testimony of bankers and regulators with regard to their present and future intentions. The testimony of incumbent chartering officials that they would not charter new entrants in a particular area is conclusive evidence against the probability of such new entries within the meaning of the Clayton Act.

The relevant geographical area in potential competition bank merger cases should be construed by the courts realistically. Although the FDIC is free to do so if it wishes, the Clayton Act does not require that the other agencies and District Courts weigh every merger in terms

of possible future effects on geographic areas different from those served by the institutions involved in the merger.

Respectfully submitted,

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I authorize the filing of the above brief.

Erwin N. Griswold
Solicitor General

July 1972

APPENDIX A

NATIONAL BANK OF WESTCHESTER, WHITE PLAINS, N.Y., AND THE FIRST NATIONAL CITY BANK OF NEW YORK, NEW YORK, N.Y.

COMPTROLLER'S DECISION

Application has been filed with the Comptroller of the Currency to merge National Bank of Westchester, White Plains, New York, and The First National City Bank of New York, New York.

The First National City Bank, one of the nation's outstanding institutions, is the second largest bank in New York, and the third largest in the nation. It had on September 27, 1961, total resources of $7,952,198,366.49. It operates 85 branches in New York City, and three in Nassau County, as well as 79 foreign branches. It has received approval to establish two branches in Westchester County, one in Eastchester, and one in Harrison. Neither of these is open or expected to be open for some time. Thus it presently has no branches operating in Westchester County.

National Bank of Westchester, White Plains, is the second largest bank in Westchester County. It had on September 27, 1961, total resources of $271,214,235.91. Its main office is in White Plains, 29.3 miles from New York City. It operates no branches in New York City. The largest bank in Westchester County is County Trust Company, with total resources on September 27, 1961, of $541,351,126.49. It has 41 branches, all of them in

Westchester County. In addition to these two, there are 7 other commercial banks with main offices in Westchester County of which the smallest is First National Bank of North Tarrytown with total resources of $14,973,388.39. It operates only in North Tarrytown and has no branches. In Westchester County there also is a branch of Bank of Commerce of New York in Yonkers, and a branch of Chemical Bank New York Trust Company in Eastchester. Approval has been granted for the establishment of a branch of Chase Manhattan Bank in Hartsdale, but this branch is not yet open.

New York is, of course, the largest metropolitan area in the nation, with a population in excess of 10.5 million. The City itself has a population of 7,781,984. It has a number of very large banks vigorously competing for local business as well as for national and international business. It is perhaps the most intensely competitive banking market in the nation.

Westchester County is immediately north of and contiguous to New York City. According to official census publications it is a part of the New York metropolitan area. It has an area of 435 square miles, with a population of 808,891. It has a density of population of 1,859.5 persons per square mile, but a large proportion of the population is concentrated in a number of cities in the southern portion of the county adjacent to New York City. These include Yonkers, with a population of 190,634, New Rochelle with a population of 76,812, and Mount Vernon with a population of 76,010.

If this merger should be approved, and if there should be approved the establishment and operation by The First National City Bank of New York of branches at the sites of the main office of the National Bank of

Westchester, and of each of its branches, The First National City Bank would thereby acquire 26 offices in Westchester County, out of a total of 110 commercial bank offices therein.

The commercial banks in Westchester County with their total resources and number of branches are:

Title and location	*Total resources*[1]	*Branches*
"The Gramatan National Bank and Trust Company of Bronxville," Bronxville, N.Y.	$19,365,205.69	1
"Northern Westchester National Bank, Chappaqua," Chappaqua, N.Y.	19,194,324.46	4
"The First National Bank of Mount Vernon," Mount Vernon, N.Y.	52,453,485.63	3
"First Westchester National Bank of New Rochelle," New Rochelle, N.Y.	86,390,033.13	13
"The First National Bank of North Tarrytown," North Tarrytown, N.Y.	14,973,388.39	0

[1] As of Sept. 27, 1961.

"Scarsdale National Bank and Trust Company," Scarsdale, N.Y. . .	37,687,642.78	3
"National Bank of Westchester, White Plains," White Plains, N.Y.	271,214,235.91	25
"First National Bank in Yonkers," Yonkers, N.Y.	84,971,401.93	9
"County Trust Company," White Plains, N.Y.	541,351,126.49	41

We find ourselves with heavy responsibilities in reaching our decision in this case. We must decide whether this merger is in the public interest, and that decision must be made under the provisions of Section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)), in the light of six significant statutory factors.[1] These factors are the financial history and condition of each of the banks involved, the adequacy of its capital structure, its future earnings prospects, the general character of its management, the convenience and needs of the community to be served, and the effect of the transaction on competition (including any tendency toward monopoly). We regard it as our duty to give the broadest possible significance to each of these factors in order that our decision may truly be in the public interest.

Of critical significance in this case are the convenience and needs of the communities involved and the effect of the merger upon competition (including any tendency toward monopoly).

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[1]The seventh statutory factor, whether corporate powers are consistent with the purposes of the Federal Deposit Insurance Act has no significance in the case of national banks whose corporate powers are in every case consistent.

Convenience and Needs of the Community

In connection with this factor we must take into consideration the convenience and needs of each community involved. These include: Westchester County, New York City, the New York Banking District as defined in the application,[2] New York State, the national banking market, and the international banking market. First and foremost, however, is the convenience and needs of the United States. We are charged with responsibility for insuring that our national banking system at all times has the capacity to perform and does perform its vital functions of contributing to the free flow of money, the financing of government, national, state and local, the financing of trade and commerce, national and international, the financing of business and industry, the financing of home purchases, the financing of consumer purchases, and where necessary, the financing of war.

The national banking system must play a vital role in contributing to economic growth. Economic growth is a vital goal of our national economic policy. Achievement of the full potentials for our economic growth requires the most effective functioning of our commercial banking system. It is our judgment that the banking system has not performed in the fashion which is required if this goal is to be attained. We must re-examine, reconsider, and if necessary, revamp our national banking system to insure its adequacy to perform this vital role.

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[2] This includes the counties of New York, Bronx, Westchester, Nassau, Queens, Kings and Richmond.

The vital role of banking in our economy is a prime reason for a NATIONAL banking system. Nearly 100 years ago, after two earlier experiments with single banks, the nation concluded that there was needed, and there was provided, a national banking system. Since that day in 1863 when the National Bank Act was first enacted, the Executive, the Congress, and the Courts have jealously protected that system against encroachment from any source. The courts have stated that, "National banks are national favorites,"[3] and have recognized that national banks are federal instrumentalities, created for public and national purposes.[4] The Congress has often legislated in the interests of the national banking system and to prevent it from being at any competitive disadvantage with respect to state banks, e.g., in the matter of branches. We represent the Executive as our predecessors in office have over nearly 100 years. It is our responsibility, and our responsibility alone, acting within the statutory policies prescribed by the Congress, to preserve and to protect the national banking system, to insure that it has the capacity to and does perform its vital governmental functions, and here specifically to consider whether proposed mergers of national banks are in the public interest, and to decide whether they should or should not be permitted.[5] And so, it is in the light of this

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[3] *Tiffany v. Bank of Missouri*, 18 Wall. 409, 413 (1874).

[4] *Osborn v. The Bank of the United States*, 9 Wheat. 738, 860 (1824); *Van Reed v. Peoples National Bank*, 198 U.S. 554 (1905); *Franklin National Bank v. New York*, 347 U.S. 373 (1954).

[5] The National Bank Act is "A complete system for the establishment and government of national banks." *Cook County National Bank v. United States*, 107 U.S. 445, 448 (1883); *Deitrick v. Greaney*, 309 U.S. 190, 194 (1940).

heavy responsibility that we must examine the proposal before us. We must do so with great care.

The effect of this proposal would be to substitute in Westchester County for the National Bank of Westchester, The First National City Bank of New York. As has been stated, by this merger the latter bank would acquire at once 26 branches in Westchester County. This would be in addition to one other branch for which it has received approval, but which is not yet in operation.[6]

Thus, should this merger be approved, the banking structure in Westchester County would consist of County Trust Company with 41 branches, The First National City Bank with 27 branches, 7 much smaller commercial banks with a total of 33 branches, and three branches of other New York City banks. Of the five largest New York City competitors of The First National City Bank, two would have one branch each in Westchester, with the other three having none. Such an unbalanced banking structure is our major cause for concern in connection with this merger.

It is desirable and in the public interest that New York City banks be permitted to branch in the suburban portions of the metropolitan area. Banks like other businesses should be permitted to follow their customers to the suburbs. As our society changes so must every business desiring to maintain its position and achieve its growth potential change also. One of the serious problems in banking today arises from legal restrictions, many

[6] It has received approval to establish two branches in Westchester, but if the merger should be approved, one of these would be consolidated with a close-at-hand branch of National Bank of Westchester.

of which were designed for an earlier age, which have hampered the proper accommodation by banks to the changing nature of our society, and have inhibited not only their growth, but their ability to serve efficiently our growing economy. Removal of the restrictions on New York City banks branching in Westchester and Nassau Counties shows recognition of these problems at the State level.

The most immediate advantage of this legislation to the public in Westchester and Nassau Counties is the price competition which will result and which to some extent has already resulted from the entry and prospective entry of the New York City banks. On personal loans The First National City Bank charges 4¾ percent discount, including insurance, whereas until very recently the Nassau and Westchester banks charged 6 percent discount, plus insurance, as most still do. The National Bank of Westchester now charges 4½ percent discount, plus insurance, on new automobile loans, 6 percent on personal loans. The Franklin National Bank of Long Island now charges 4¼ percent on new automobile loans, and on personal loans is stated to be competitive with New York City banks. It is not unreasonable to suppose that the entry and prospective entry of the New York City banks were a factor in the decisions of the other banks to reduce their rates. Price competition resulting in lowered rates to the public is a matter of public entitlement and is not without substantial national economic significance, but is consistent with national aims and policy relating to production, employment, and growth.

There are other advantages. The larger banks have experts in very nearly every important line of industry.

The presence of these experts not only enables the larger banks better to evaluate credit in specialized fields, but their knowledge and services are of inestimable benefit to the borrowers. The larger banks are thus enabled to give specialized services of a type not available from smaller banks. This also is to the public advantage.

It is likely also that the needs of small business in Westchester County would be better served as a result of this merger. There is aggressive competition among the larger banks of the country to service the needs of small business, and they do it well. The First National City Bank has pioneered and has been particularly outstanding in meeting the credit needs of and in aiding small business. It remains one of the nation's leaders in this respect. We are aware of criticisms to the effect that only local banks can serve local needs, and that the small businessman is more welcome at the smaller banks than at the larger ones. As a general proposition we are satisfied that this is not true. As was stated at the hearings on this merger, large banks do actually service the needs of small business.[7] Information submitted by the First National City Bank after the hearings and included in the record, concerning its activities in lending to small business, serves to confirm our view that small business in Westchester County would benefit from the entry therein of that bank.

Another considerable advantage which will flow from the entry of New York City banks is the more productive utilization of savings through improvement in the mobility of funds from areas of excess to places where they may be employed to better advantage. This is a point in

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[7] Transcript of Hearing, statement of the Comptroller of the Currency, pp. 197-199.

favor of the merger rather than against it. The First National City Bank quite naturally desires to acquire surplus funds available in Westchester County for use throughout the scope of its operations. We believe there is general awareness of the need to remove impediments which may slow or obstruct the movement of capital to the uses which will contribute most effectively to the nation's economic growth.[8] Capital should not be artificially condemned to inferior uses.

Since we are satisfied that substantial benefits will be derived from the entry of the New York City banks into Westchester County, the crucial question relates to the method by which, and the rapidity with which, access should be permitted. The response to this question depends in turn upon the comparative benefits to be derived from the entry of the New York City banks into Westchester County through gradual entry, as contrasted with the more precipitate method proposed here. It depends, finally, upon the effect of large-scale entry by merger on the banking structure of Westchester County.

It is our view that these substantial benefits will more desirably be made available in Westchester County through the establishment of de novo branches. We believe that large scale entry by this merger would cause an unreasonable distortion and dislocation in the present and future banking structure of Westchester County not consistent with the public interest according to the standards set forth in the Federal banking laws, particularly the so-called Bank Merger Act.

There is no doubt that the larger New York City banks are today actively seeking out acceptable branch sites in

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[8]Transcript of Hearing, Colloquy between Mr. Arthur Roth and the Comptroller of the Currency, pp. 153-155.

Westchester and Nassau Counties. Gradually, as the population shifts to what are now the lesser populated sections of the county, acceptable branch sites will be located, supervisory approval secured, and branches established. Already two of the larger New York banks have one branch each on Westchester, and The First National City Bank has secured approval for two. It seems likely that these branches, together with other branches which will be approved and established, will supply the competitive pressures necessary to bring the interest rates charged in Westchester more closely in line with those now charged in the intensely competitive New York City area. There is some evidence that this is already transpiring. As stated above, both National Bank of Westchester and County Trust Company in Westchester, and Franklin National Bank in Nassau, have to some extent lowered their interest rates. It may be assumed that these reductions were the result of developing competitive pressures, actual or anticipated.[9]

Since it appears that the competitive capacity of New York City banks is already making its influence felt on the loan-rate structure of Westchester, it may be concluded that the convenience and needs of that area in these terms will be served effectively through de novo branches, and without the merger.

There is no substantial evidence before us of failure to meet adequately the convenience and needs of the public of Westchester County in respect to matters other than interest rates on loans. It is generally agreed that there

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[9] There are presently pending before the Board of Governors of the Federal Reserve System two mergers involving proposed acquisitions by large New York City banks of banks in Nassau each with a number of branches.

exists no lack of lending capacity there; it is indeed a funds-exporting area. There was testimony at the Hearing that all commercial banks in Westchester were paying the maximum rate of interest on savings deposits permissible under Regulation Q of the Board of Governors of the Federal Reserve System. No price competition, of course, is allowed for demand deposits. The improved and enlarged services which might be expected from the merger will come to Westchester County through the branches of the New York City banks which may now be anticipated. It appears, therefore, that approval of this merger is not warranted or required by a consideration of the critical question of the convenience and needs of Westchester County.

We attach serious implications to the prospective dislocations in the banking structure which we believe would result from this merger. There are two principal considerations: elimination of the National Bank of Westchester as a separate entity; and the markedly superior position which The First National City Bank would acquire over the other New York City banks in securing banking business in Westchester County.

The National Bank of Westchester is a large, well-managed bank with its branch offices strategically located at various points in the County. If it now is eliminated, it will forever cease to exist. We are convinced that from a longer-range viewpoint the elimination of this bank will have harmful effects, in terms of the public interest. It now has total resources in excess of $250 million. Located, as it is, in a rapidly growing portion of the largest metropolitan area in the nation, and with other factors favorable to its growth, its continued success seems assured. It is therefore our view that the continued

existence in Westchester County of this bank outweighs any immediate benefits to be gained through this merger. Should this merger be approved, there would remain in Westchester County, aside from the New York City banks, County Trust Company with assets of more than $500 million, and a number of smaller commercial banks none as large as $100 million in size. Of the New York City banks, one would have 27 branches in Westchester County, while none of the others would have more than one branch. This would leave County Trust Company as the only really effective competitor of the New York City banks in Westchester.[10]

In contrast, should this merger be disapproved, there would continue to be two large banks serving Westchester County, both well able to service the convenience and needs of the County, and there would be preserved a reasonable equality-of-opportunity for entry into Westchester County of all New York City banks. Clearly, this offers the more hopeful prospect of developing and maintaining there a viable and balanced banking structure under the banking laws.

These considerations appear to us to be of paramount importance, and indicate that the merger should be disapproved. It is thus our judgment that entry of New York City banks into Westchester County should be by branches, now permitted under New York Banking Law, and not through the proposed merger. We reach this judgment because of our concern that the proposed merger would produce serious distortions and dislocations, and so that the evolution of banking facilities in

[10]The smaller banks could, of course, and no doubt would, continue to grow; they could also provide effective competition, but only to the limits of their resources.

that area may be observed and controlled in the best interests of the communities involved and of the banking system.

The smaller banks in Westchester County, to the extent that they are able properly to service the needs of their respective communities, should be given the opportunity to grow and to prosper. It is our view that a balanced banking system consisting both of small banks and of larger banks is more desirable than one consisting solely or primarily of large banks or of smaller banks artificially protected from vigorous competition. While small banks can and do grow in competition with larger institutions, with unique benefit to the commercial banking system as such, approval of this merger could well beget an unbalanced banking structure depending primarily on larger banks, just as denial of substantial–if gradual–entry of the New York City banks could beget an unbalanced structure where large segments of the population would have to rely on smaller banks enjoying economically unjustifiable protection merely because of size.

If, as a matter of sound banking policy, the New York City banks are allowed to compete equitably for acceptable branch sites in Westchester County, this policy will itself lead to vigorous competition, with no one bank having an excessive advantage over the others. As the New York City banks enter that County, even though on a gradual basis, the banks now there, including County Trust Company and National Bank of Westchester, will find themselves under a constraint to meet the new competition. This competition will insure to the public the substantial benefits of one of the fruits of our system. There is no doubt that both of these latter-named banks are well able to compete domestically on a substantially

equal basis with the largest New York City banks. The outcome will be in the public interest.

If entry is to be limited to the more gradual establishment of branches, as will be required under this decision, the banking authorities will be better able to observe and determine whether the desired effects in terms of price competition and in other material respects are being achieved. We shall maintain our interest in seeing that the banking needs of Westchester County are adequately and properly served, and that the banking public has the benefits which are expected of vigorous competition.

At the present time, rates in Westchester County and in Nassau County are substantially higher than those charged for comparable loans by the larger New York City banks. This results in some degree from the fact the banks in these counties have in the past been protected by State laws from competition. Some of the banks in these Counties will continue to be protected by the Home Office Protection Law of the State.[11] We shall observe closely the situation in the cities where this rule applies.

If it should develop that the public interest does require entry on a substantial scale of branches of New York City banks, such entry will be authorized where legally permissible. Similarly, adequate and competitive servicing of the banking needs of the County by existing banks will determine our policy in granting new bank charters.

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[11]Section 105 of the New York Banking Law.

Effect of the Transaction on Competition (Including Any Tendency Toward Monopoly)

This is an issue charged with emotionalism and characterized at the present time by an almost complete lack of clarity and objectivity, brought about in part by an indiscriminate use of conceptual terms. There has to our knowledge been no adequate study of bank competition or the standards by which the effects upon competition of bank mergers should be measured. The nature of commercial banking and the regulatory framework under which it operates distinguish banking from the type of industrial enterprise to which the general antitrust laws were designed to apply, and render highly questionable for judging bank mergers the concepts developed in the application of those laws to industrial corporations. For example, there are geographical limitations upon the expansion of banks which place ultimate limits upon their possible growth. There is also to some extent federal regulation of the supply of money which is the raw material of the commercial banking business. This is a factor in limiting the growth of banks since a bank which prospers cannot, as an industrial corporation might do, purchase additional raw materials and increase productive capacity in order to grow. A bank can acquire more loanable funds only by generating additional deposits, a considerably more difficult undertaking than merely purchasing more supplies and producing more goods, and one which is subject to influences other than management decision. We believe it to be incumbent upon the bank supervisory agencies to institute studies aimed at developing proper standards to insure adequate competition in banking. It is the banking agencies alone that have the facilities, the background knowledge, the constant concern with the adequacy of banking to serve the

financial needs of government and of industry, as well as the understanding of the monetary and fiscal policies and problems of the nation necessary to adequate consideration of this matter.[12] We have stated publicly that we shall institute such studies both internally and through the appointment of an advisory committee.

Moreover, under the so-called Bank Merger Act of 1960 (Section 18(c) of the Federal Deposit Insurance Act), the banking agencies have the ultimate responsibility for the determination of the effect upon competition of bank mergers, and for the preservation of effective but sound competition in banking. Their determinations, however, must, as the Congress wisely recognized in enacting the statute, be based on much broader considerations than competition alone.

We are unimpressed with the arguments presented to us that this proposed merger will have such an adverse effect upon competition as to require our disapproval. There have been no serious arguments presented to us that this merger would substantially lessen competition, and there is no evidence before us to support a conclusion that it would.[13] Such competition as the

[12] "Both managers and examiners of financial institutions should always bear in mind the role of our financial institutions in promoting economic growth." The report of the Commission on Money and Credit, p. 175.

[13] The Federal Reserve report states that there is a "significant" amount of competition between the two banks, which would be eliminated. Neither the Department of Justice nor the Federal Deposit Insurance Corporation in its report to us on competition stated that there would be a substantial lessening of competition. In a supplemental letter addressed to us in response to our request for clarification of some aspects of its original report, the Department of Justice in support of its contention

evidence indicates there may be between the applicant banks is not significant when considered in the light of the total competition existing in the areas in which the banks operate. We find that there would be no substantial lessening of competition resulting from this proposed merger.

It is urged upon us that this merger will result in a tendency toward monopoly. In order to find a tendency toward monopoly we must find that by this merger The First National City Bank would have moved measurably closer to the monopoly power of being able to control prices or to exclude competition.[14] First, however, there must be determined "the area or areas of existing effective competition in which monopoly power might be exercised."[15] The area chosen must constitute "a single area of effective competition among commercial banks."[16]

No one has suggested or could seriously suggest that this merger would create a tendency toward monopoly in the New York Metropolitan area. On the contrary, it is urged that the effects of this merger must be measured in Westchester County alone. We agree that whatever competitive impact this merger would have would be in

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that Westchester County is the relevant market area for this merger, urged that the Westchester banks are not in competition in an important way with New York banks.

[14] *Transamerica Corp. v. Board of Governors*, (C.A. 3, 1953) 206 F.2d 163, cert. den. 346 U.S. 901.

[15] Ibid., p. 169.

[16] Ibid.

Westchester County, and that there would be no impact to any significant degree elsewhere. It seems to us doubtful that a single portion of a large metropolitan area could realistically be regarded as constituting a single area of effective competition among commercial banks either from the viewpoint of enforcing the antitrust laws or of considering the effect upon competition under the Bank Merger Act, particularly when the large metropolitan banks are permitted to establish branches within the area. It is unnecessary for us to decide this question, however, for it is clear that this merger would create no tendency toward monopoly in Westchester County.

In the first place, we have considerable doubt that there can exist effective monopoly power in commercial banking as it operates in this country today. Here again is illustrated the difficulty of attempting to apply to banking antitrust concepts developed in connection with industrial enterprises. There are few other industries subject to governmental regulation and control to the same extent as commercial banking, and in the case of those that are it is usual that they are exempt from the antitrust laws in matters subject to regulation.[17] In the case of banks there are limitations on geographical expansion, there are limitations on the rates of interest which they may pay on time and savings deposits, they are prohibited from paying interest on demand deposits, they are limited by the usury laws in the interest which they may charge on loans;[18] the supply of loanable

[17]A good discussion of the interweaving of the antitrust laws and regulatory laws in connection with regulated industries may be found in *California v. Federal Power Commission*, No. 15687 (C.A.D.C., March 30, 1961), cert. granted, Oct. 9, 1961, 30 L.W. 3102.

[18]National banking associations are probably subjected to as many regulations as any type of institution in this country. For

funds, which is their stock in trade is limited (1) by the amount of deposits they are able to generate, (2) by the

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example, the Comptroller's approval is required for: their chartering, the establishment of branches, mergers, consolidations, purchases of assets, assumption of liabilities, conversion from state into national banks, increases in capital, decreases in capital, stock dividends, dividends exceeding net profits for three years, certain types of borrowing, investment in bank premises in excess of the amount of capital, change of location, change of name, etc. They are subject to regulations of the Comptroller of the Currency regarding investment securities, real estate loans, engaging in the insurance business, acting as real estate broker, making loans on leaseholds, etc. They are subject to regulations of the Board of Governors of the Federal Reserve System with respect to: Reserves required to be maintained against deposits, amount of interest which may be paid on time and savings deposits, interlocking directorates, loans to executive officers, exercise of trust powers, collection of non-cash items, check clearing and collection, the establishment of foreign branches and foreign subsidiaries, affiliate relationships, relationships with dealers in securities, loans secured by registered stocks, etc. They are subject to regulations of the Federal Deposit Insurance Corporation with respect to advertising. They are prohibited by law from: establishing additional offices outside their own states, and in many cases within their own states, engaging in the securities business, underwriting and dealing in special revenue or corporate securities, lending more than a specified percentage of capital and surplus to any one borrower, making loans on real estate except in accordance with statutory requirements, owning real estate other than that necessary to their accommodation in their business, engaging in the banking business with less than a specified amount of capital, purchasing their own shares of stock or making loans on their own shares of stock, borrowing in excess of the amount of their capital, paying interest on demand deposits, charging interest in excess of that permitted by the usury laws, dealing with affiliates except in specified ways, accepting drafts in excess of specified amounts, acting as insurance agent or real estate brokers in towns of more than 5,000, acting as agent for nonmember banks in receiving discounts from Federal Reserve banks, acting as agent of any nonbanking person in making loans on the security of stocks to brokers or dealers, engaging in

reserves which they are required to keep with the Federal Reserve System, (3) by the amount of the total money supply at any given time, and in many other respects. The Board of Governors of the Federal Reserve System has several methods including the setting of reserve requirements and discount rates, and open market operations, which it can and does use to influence the money supply. It is not within the power of banks, as is true of industrial corporations, to increase freely their productive capacity. A bank which attempted to use lower interest rates on loans as a means of driving out competition would very soon find itself without loanable funds.

Whatever the risks may be that monopoly power could be attained in banking, we are satisfied that it could not be achieved in an area such as Westchester County, which is immediately adjacent to the most intensely competitive banking institutions in the nation, and which is open to branching by a significant number of those large and aggressive banks.

In Westchester County there is at the present time County Trust Company, a commercial bank with 41 offices and total resources of more than $500 million. This bank is and can continue to be an able and effective competitor. There is no doubt that a bank of this size and

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business transactions with their directors, except on specified terms, etc. Every national bank is required by law to be a member of the Federal Deposit Insurance Corporation and the Federal Reserve System: it must furnish periodic reports to the Comptroller of the Currency and the Federal Deposit Insurance Corporation upon calls submitted by them; it must submit to semiannual examinations by the Comptroller of the Currency; and its shareholders are subject to assessment for impairment of capital.

efficiency can compete and compete well ll with banks of the largest size, including The First Natioronal City Bank. In addition to County Trust there are otther commercial banks ranging in size from the First Westchchester National Bank of New Rochelle, with total resosources of $86 million, to The First National Bank of Norrth Tarrytown, with total resources of $15 million. Each o of these banks is protected from the establishment of brranches of The First National City Bank in the city in w which its main office is located, by the provisions of Sectction 105 of the New York Banking Law.[19] We have no f fear that these banks will be unable to compete effectivevely even when faced with increased competitive pressures. s. There are also located in Westchester County at the presesent time, two branches of New York City banks, a branch in Yonkers of the Bank of Commerce and a branch in h Eastchester of The Chemical Bank New York Trust Corompany. Under New York and Federal law, New York statate and national banks, respectively, can be authorized to e establish additional branches in Westchester.

The First National City Bank's presesent policy of charging the same rates at all its offices, s, if continued, would restrict its capacity to use its admmittedly great financial resources to achieve a monopolply position.[20] Any change in this policy, if there was any y evidence that it was designed for the purpose either ofof achieving or

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[19]By this merger The First National City Banank would acquire branches in New Rochelle and in White Plains w where are located the main offices respectively of First Westchester N National Bank of New Rochelle and County Trust Company. It would be able to acquire no additional branches in either place becacause of the home office protection law.

[20]Transcript of Hearings, Testimony of Mr. G George Moore, p. 93.

exercising monopoly power, would bring the most intensive supervisory scrutiny.

We find that there is no foreseeable possibility of The First National City Bank acquiring monopoly power in Westchester County, and hence that there would be no tendency toward monopoly resulting from this merger.

Neither do we find that this merger would result in any undue concentration of banking resources in Westchester County. The First National City Bank of New York now has no offices, and hence no resources in Westchester County. The effect of this merger would be to substitute that bank in Westchester County for the National Bank of Westchester. This would result in no change in the concentration of resources in the County. It does not seem to us realistic to take account of all of the resources of The First National City Bank, acquired through its deposits in all of its other offices, in measuring the concentration of banking resources in Westchester County. Moreover, since Bank of Commerce and Chemical Bank New York Trust Company each have an office in Westchester, and The Chase Manhattan Bank soon will, that approach would require including also the total resources of all of those banks, thus obviously giving a greatly distorted view of the banking structure in Westchester County. Any increase in concentration resulting from this merger would have to be appraised in terms of the entire areas in which both banks operate. Viewed in this light, there would be no undue increase in concentration.

Objection has been made to this merger on the ground that the smaller banks in Westchester would find it difficult to compete with the lower rates and better services offered by The First National City Bank. As we

have stated earlier, we have no fear that the smaller banks in Westchester County would be unable to compete effectively if this merger were approved, particularly in view of the home office protection which their main offices enjoy. [21] Even if we thought otherwise, however, we do not believe that this would be a proper basis upon which we could disapprove this merger. The purpose of assuring competition is to bring to the public the best and broadest services at the lowest cost. Only keen competition will insure this result. It seems to us to amount to a perversion of this concept to undertake the protection of small competitors from fair competition by larger competitors, if thereby the public is wholly or partly denied the benefits of competition to which it is entitled. By fair competition we mean competition in the absence of monopoly power, and without predatory purpose. We have concluded above that The First National City Bank could not foreseeably achieve monopoly power in Westchester County, and if the rates charged and services rendered in Westchester County were identical with those offered in New York City, that would be ample evidence that they were not fixed with a predatory purpose. [22]

We have been unable to find any authority, and none has been cited to us, to support a conclusion that there is any national policy to prevent fair competition which may adversely affect some rival firms, and we reject this argument. In response to a specific question from us, the Department of Justice has advised us that "Nothing in

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[21] It is perhaps significant that while each was invited to do so, no commercial bank operating in Westchester County appeared at the hearing in opposition to this merger, and only one commercial bank furnished for the record a statement in opposition.

[22] See footnote 20.

our national policy of free competition protects competitors of any size from the kind of competitive advantages First National City would enjoy in Westchester when such advantages are achieved through normal growth and efficiency," but that "Congress has chosen to close the path to the achievement of such advantages through combinations, mergers or acquisitions where the effect of such combinations may be to substantially lessen competition or tend to create a monopoly or unreasonably restrain trade." Since we are satisfied that the effect of this merger would not be to substantially lessen competition or tend to create a monopoly or unreasonably restrain trade, we are satisfied that considerations of the protection of smaller competitors would not be pertinent to our conclusion with regard to the effect upon competition.

As bank supervisors, we would, of course, be concerned with competition which might lead to insolvency, lack of reasonable earnings, or unsound practices on the part of any bank. This is one of the prime reasons for bank supervision and for requirements of supervisory approval of new charters, branches, mergers, etc. We must not confuse our consideration of banking factors, however, with our consideration of competitive factors. Part of the existing confusion concerning bank competition stems from a failure properly to distinguish banking factors from competitive factors.

One other consideration needs mentioning. This proposed merger was for legitimate business purposes, and no part of the purpose was to eliminate a competitor nor to attempt to monopolize. Having been prohibited by law for more than a century from expanding into Westchester and Nassau Counties, The First National City Bank, as

well as other large New York City banks, quite naturally are anxious to acquire a share of the banking business in those large, expanding areas. Like other business, banks desire to follow their customers to the suburbs. More important considerations, however, are the natural and laudable desires on the part of The First National City Bank to slow the proportionate decline in the volume of its business,[23] to secure additional deposits so the funds can be used in its national and international business, and thus to facilitate the free flow of funds from areas of surplus funds to areas of need. The fastest and most efficient way to accomplish these purposes would, of course, be to merge with another bank having a volume of deposits and a number of offices.

It has been suggested that the desirable results to be achieved by this merger could be achieved also through correspondent relationships. This shows a lack of understanding of the nature of those relationships as well as the basis upon which they exist. Such relationships exist primarily to breach artificial barriers and they result in services to the smaller banks in the nature of tax advice, investment advice, etc., which the small banks cannot easily provide for themselves. These services are compensated for, of course, by deposits maintained with the larger bank. Correspondent relationships are in no sense an adequate substitute for the establishment of branches.

Some of what we have considered under the convenience and needs factor might be pertinent also to the

[23]See comparison of growth in gross national product with growth in commercial bank assets in the merger application, p. 88; and the comparison of growth in gross national product with growth in total assets of the First National City Bank of New York submitted by the bank after the hearing for inclusion in the Record.

competitive factor. However, our primary concern has been with the balance of the banking system in Westchester County, the structure of the system, how best the banking needs of the community can be served, what sizes and types of banks there should be, the number of banks, etc. In our view these are clearly relevant to the banking factors and for determination by the Comptroller of the Currency in the exercise of his supervisory authority over the national banking system, rather than to the competitive factor, of the Bank Merger law, where the primary concern is with lessening of competition or tendency toward monopoly.

We are satisfied that the effect of this merger upon competition alone would not be such as to require its disapproval. If the benefits to be derived in Westchester County from the entry therein of the larger New York City banks could be secured only through this merger, we would have no hesitancy in approving it. We may say that it is our view that there has been a considerable overemphasis placed upon an alleged lack of competition in banking, and an alleged concentration in banking. To the contrary, banking is highly competitive. It is diffuse rather than concentrated, and the smaller institutions by and large are growing at a faster rate than are the largest banks. We find no reason for concern over the future of competition in banking.

Other Factors

We have considered the financial history and condition of the banks involved, the adequacy of their capital structures, their future earnings prospects, the general character of their management, and whether their corporate powers are consistent with the purposes of the Federal Deposit Insurance Act. In our consideration of

these factors we have found nothing to change our views as expressed above. Our action with respect to this merger should in no wise be regarded as any unfavorable reflection whatsoever on The First National City Bank of New York, nor its purposes in submitting this application. This bank is in the very first rank of American financial institutions, and is outstanding in every way.

Conclusion

In view of our conclusions with respect to the convenience and needs of the community involved, we have concluded that this merger should be, and it hereby is, disapproved.

DECEMBER 19, 1961.

OPINION OF THE COMPTROLLER OF THE CURRENCY ON THE APPLICATION OF WACHOVIA BANK AND TRUST COMPANY, N.A., WINSTON SALEM, NORTH CAROLINA, FOR PERMISSION TO ESTABLISH A BRANCH IN THE HICKORY PLAZA SHOPPING CENTER ON U.S. HIGHWAY 64-70, HICKORY, CATAWBA COUNTY, NORTH CAROLINA.

Wachovia Bank and Trust Company, N.A., applied to the Comptroller of the Currency on March 4, 1970, for permission to establish a branch in Hickory, Catawba County, North Carolina. The application was accompanied by a statement of the applicant's board of directors indicating that the Hickory office was desired in order to serve the applicant's existing customers more efficiently and to meet the needs of the growing industries in the area for commercial and corporate banking services. The application was supported by relevant financial and economic data and the usual full field investigation was conducted by a commissioned National Bank Examiner.

There are presently five commercial banks in the City of Hickory. Of these five banks, only the dominant bank in Hickory, The First National Bank of Catawba County (hereinafter "First National") and the Bank of Granite, headquartered in Granite Falls in neighboring Caldwell County, protested the application. In addition to filing written objections, these two protestants also requested a hearing which took place on June 16, 17, 18, and 19, 1970, before a panel convened by the Regional Administrator of National Banks for the Fifth National Bank Region, in Richmond, Virginia. In accordance with the hearing procedures published for the Fifth National Bank

Region, the protestants and applicant were given a full opportunity to present their views on the merits of the application. Seven witnesses appeared for the applicant, ten for protestant First National and one for protestant Bank of Granite. During the hearing numerous documentary materials were received from all the parties and a verbatim transcript was made. In addition, at the conclusion of the hearing all parties were given an opportunity to present supplemental briefs and arguments to the Comptroller.

After considering all of the materials and arguments submitted by the applicant and protestants as well as the information gathered by and the opinions of the Comptroller's staff, the Comptroller has determined that the application of Wachovia Bank & Trust Co. for a branch in the Hickory Plaza Shopping Center on U.S. Highway 64-70, Hickory, Catawba County, North Carolina, should be approved for the following reasons:

Catawba County is located in the northwestern part of the state and has a 1970 estimated population of 90,128. The economy of the county and the City of Hickory is dependent primarily on commercial and industrial activities. The area includes one of North Carolina's largest concentrations of manufacturing concerns, whose principal products are textiles, furniture, electrical equipment and machinery. While there are several nationally known firms represented in Catawba County—including Burlington Industries, General Electric, J.P. Stevens, Kayser-Roth and Drexel Furniture—the bulk of the industry is locally owned and operated. Due primarily to this industrialization, Catawba County has evolved as the trade and commercial center of the so-called Western Urban Complex of the state of

North Carolina consisting of the four counties of Alexander, Burke, Caldwell and Catawba. This four-county region is an integrated and dynamically growing area with Hickory as its principal city. In 1969 Catawba County contained 40.3 percent of the region's total population of 220,006 and enjoyed 55.2 percent of the region's retail sales of over $472 million. In 1968 Catawba County accounted for 49.5 percent of the region's total employment and almost 57 percent of the region's total bank deposits.

Recent growth in Hickory and Catawba County has been significant. From 1968 to 1970 the county's population increased 3.9 percent to 90,128, while Hickory's population increased 7.8 percent. In 1969 the value of residential permits in the zoning districts of Hickory, Newton, Conover, Claremont and Catawba County was $12,731,433, an increase of 8.3 percent from 1968, while the value of all commercial and industrial permits increased 33.9 percent to a value of $7,604,331. Within Catawba County retail sales increased 85.9 percent from 1967 to 1969 to a value of $260,408,105. For the year end 1969 the North Carolina Employment Security Commission reports a total preliminary manufacturing employment of 31,560 for the county, which represents an increase of over nine percent since 1967.

The City of Hickory lies in the northwestern portion of Catawba County. The city itself has a 1970 estimated population of 24,900, while the service area of the proposed branch (which includes most of Catawba County and a small portion of Burke County) has a total population of about 60,000. This service area includes all of the City of Hickory, the towns of Conover, Newton

and Claremont to the east, Longview and a small portion of Burke County to the west, and less populous areas ranging out to Lake Hickory and close to Propst Store to the north and down to Propst Crossroads, Blackburn and Startown to the south.

A strong employment base has provided an effective buying income per household in Hickory substantially higher than that of the state as a whole. Effective buying income per household was $10,958 in 1968, an increase of 6.7 percent from 1967. This value was the second highest in the state among the medium and large-sized cities. The homes in Hickory are above average in quality and are generally owner occupied. A substantial number of homes are valued in excess of $35,000.

Hickory is well served by air and rail as well as highway transportation facilities. It is located at the junction of U.S. Highways 321 and 64-70 and just north of the projected route of Interstate 40. There are more than 50 common carriers, forwarders, consolidators, and truck rental companies in the greater Hickory area. The lines of both the Southern and the Chesapeake and North-Western Railroads pass through Hickory and the Hickory airport is served by regularly scheduled commercial flights. Due in part to its excellent transportation facilities, Hickory has developed into a major trade center for wholesale and retail activity for the four-county area. There are several well-developed shopping centers in Hickory, including one of the largest in North Carolina, Catawba Mall, which was completed in 1968 and contains 26 units. Retail sales have increased significantly, and in 1969 total volume exceeded $179 million, making Hickory the state leader in retail sales per capita. The volume of wholesale trade also has shown a growth rate

far higher than the state average. Economic indicators thus show a strong and increasing demand for banking services in the Hickory/Catawba County area.

Applicant Wachovia Bank & Trust Co., N.A., has chosen the Hickory Plaza Shopping Center on U.S. Highway 64-70 as the location of its proposed branch partly for easy access from areas both within and adjacent to the city and partly to take advantage of the combination of Hickory Plaza and the two other nearby centers which together include some 46 diversified commercial enterprises. Wachovia is the largest bank in North Carolina and the thirty-ninth largest bank in the United States. It is a strong, well-managed bank which had total assets in March 1970 of approximately $1.6 billion and total deposits of $1.3 billion. The applicant has sufficient capital to meet the statutory requirements of 12 U.S.C. § 36(c) and (d) to support its branch structure of 143 branches. In addition, the Comptroller is satisfied that applicant will be able to draw upon its considerable depth of managerial resources and experience in order to staff the proposed branch with capable and experienced bankers.

Within the delineated service area[1] of the proposed branch the applicant already claims over $1.5 million in

[1] Applicant, with its main office in Winston Salem and its nearest branch in the town of Hildebran some 4.5 miles west of its proposed branch site, delineated its projected service area through a geographical distribution of customers in the area now served by its existing offices. Protestant First National, on the other hand, provided three contrasting service area designations based on interviews with customers at five banking offices located near the site of the proposed branch, including three offices in the nearby shopping centers. Upon the basis of its surveys, protestant First National estimated the service area appropriate to the proposed

deposits, $8 million in loans, and 28 trust accounts with an asset value of $10.8 million. While applicant's present business in Hickory is for the most part derived from a relatively few large accounts, it nevertheless represents a substantial base on which to build future growth. In addition, applicant has stated that it proposes to bring to Hickory, through its applied-for branch, not only a full range of customary banking services but also a number of unusual services not presently available in Hickory. Thus, for example, applicant, as the only North Carolina bank with an Edge Act subsidiary, proposes to offer a convenient source of specialized international banking services. In addition, applicant offers an unusual cash management program which is approached in sophistication only by certain programs available for the first time in Hickory with the entry of NCNB in 1969.

Protestant Bank of Granite is a $15.4 million deposit institution headquartered in nearby Granite Falls. It presently operates four banking offices in adjoining Caldwell County and a branch office in Hickory which was approved in 1969 and opened in July 1970. Indeed, this branch largely explains Bank of Granite's opposition to Wachovia Bank and Trust Co.'s proposed entry into an

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branch to be slightly larger than the average area determined for the three shopping center offices, but considerably smaller than the area proposed by the applicant. The nature of the major existing business conducted by applicant in the Hickory area, consisting largely of somewhat specialized shoppers-type financial services, appears to justify an initial primary service area substantially as designed by the applicant. Whether Wachovia would develop a convenience-oriented service area similar to those suggested by First National is doubtful in view of the different types of banking services offered by Wachovia and the different geographical distribution of Wachovia's existing branches.

area described by Bank of Granite as "the dynamic City of Hickory."

Protestant First National is headquartered in Hickory and has long been a dominant force in this banking market. The bank was originally organized in 1891 and at the time of this application operated five banking offices in the Hickory area and five additional offices within Catawba County. It also operates a branch office in adjoining Alexander County. First National's total assets expanded from $55 million in 1964 to $108 million in 1970, while its deposits expanded from $50 million to $98 million over the same period. In 1968 First National held approximately 70 percent of the deposits in Hickory and 63 percent of the deposits in Catawba County, and was the principal bank for an overwhelming 83 percent of Hickory's major employers. This large market share has been maintained in part through the ability and aggressiveness of First National.

Competition in the Hickory area is provided by three other banks with statewide branching systems. The Northwestern Bank, with main offices in North Wilkesboro and system assets of about $486 million, first opened a branch in Hickory in 1947 and has since established additional branches in the city in 1960, 1964, and 1967. First-Citizens Bank & Trust Co., with headquarters in Smithfield and system assets of about $705 million, opened a branch in Hickory in 1962 and has opened additional branches within the city in 1964, 1967, and 1968. The North Carolina National Bank, with headquarters in Charlotte and system assets of $1.3 billion, opened its first branch in Hickory in 1969 and has an additional application pending at this time.

First National also protested the 1969 69 NCNB application, urging that it would suffer r "irreparable" competitive injury from the opening of NCNCNB's branch. Subsequent events, however, have more th than disproved First National's contentions. Since the he opening of NCNB's branch First National has continueued to maintain substantial growth and to expand its branchching activities; it has constructed a new office in Conoonover, received approval for a branch in Newton, and filed ad an application for a branch in Granite Falls. During calendandar 1970, First National's total resources grew from $96 mi million to $108 million, its total deposits from $87 milmillion to $98 million, and its total loans from $60 mi million to $68 million. The bank's net earnings continued ud uninterrupted growth in rising from $580,000 in 1966 to to $793,000 in 1970. At the same time First National offoffered new and better services to its customers in response tœ to increasingly vigorous competition. Thus, with the appapproval of the Comptroller's Office, First National expanpanded its trust services during 1970 with the establishlishment of a Common Trust Fund. And, with the opopening of its Conover office, "The First" brought anothother impressive innovation to North Carolina banking throurough a facility which eliminates the familiar teller line by su substituting sit down teller desks and a comfortable waitinging area for the comfort and convenience of the bank's cliententele.

Protestants acknowledge the strength, rec recent growth, and potential future growth of the Hickickory-Catawba County area and expressly agree that the he applicant is sound and capable. There is no evidence thathat Wachovia's entry will damage the stability of any banksnks in the area. Protestants urge, however, that the Wachachovia branch application be denied by the Comptrollerller principally

because, in protestants' view, (1) there is "no substantial amount" of public support for the proposed branch and (2) existing banks in the Hickory/Catawba County area provide adequate service to the area residents and businesses at the present and will continue to do so in the future.

Protestants have chosen to emphasize their arguments by referring to the portion of the North Carolina branching law which requires the State Commissioner of Banks, before approving a branch application, to find that the branch ". . . will meet the needs and promote the convenience of the community. . .," and that ". . . the probable volume of business and reasonable public demand in such community are sufficient to assure and maintain the solvency of said branch. . . ." Section 53-62(b), N.C. Gen. Stat. In effect, protestants urge that Wachovia's application does not meet these criteria and that the Comptroller thus is required to disapprove it. The Comptroller, however, cannot, consistent with his statutory responsibilities under federal law, accept protestants' restrictive analysis of the factors which can and should affect his determinations to grant or deny national bank branch applications. The Comptroller finds particularly unacceptable protestants' facile separation of competitive factors from the community needs considered by the Comptroller's Office.

The number and quality of existing banking institutions in the Hickory/Catawba County area lend considerable merit to protestants' basic contention that present banks conveniently serve the community. Indeed, competitive considerations aside, it would appear that the Hickory/Catawba County area has access to convenient banking facilities capable of meeting all present require-

ments with the possible exception of the specialized areas of international banking. Competitive considerations cannot be put aside so easily, however. As the Comptroller has had occasion to point out in connection with several other opinions issued today, the recent history of North Carolina shows a close parallel between the development of the state's economy and the growth of strong state-wide banking systems with their accompanying full range of competitive services. Indeed, the more efficient and diversified banking services which have been brought to the Hickory banking public in the past several years provide an excellent illustration of how an increasingly competitive banking climate can contribute to the economic prosperity of an entire area. Banks in the four-county area likewise have enjoyed reciprocal benefits from increased competition. Total deposits for all commercial banking offices in the four-county complex grew from $164 million in 1966 to $210 million in 1968.

Protestants do not challenge the historical stimulus provided to the North Carolina economy in general and the Hickory economy in particular by increased banking competition. Instead, protestants insist that there is now "adequate" [2] banking competition in Hickory and "no additional competitive stimulation is required." The

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[2] The Comptroller finds the judgment of a protestant bank as to "adequacy" of competition to be suspect at best in light of a history of North Carolina banking checkered with lawsuits brought for no apparent purpose than to delay the opening of a competing bank and even with understandings among "competitors" not to apply for branches in each other's "territories."

market domination retained by protestant First National belies this contention. The mere sufficiency of existing banking facilities, in the sense of some facilities more or less conveniently located in an area and furnishing the usual gamut of services, is not, as protestants seem to believe, in and of itself sufficient basis to warrant disapproval of a branch application.[3] Where, as in Hickory, the general economy of the area and its reasonable potential are such that an additional qualified competitor can offer somewhat different services than existing banking offices or an additional convenient choice of existing services, approval is warranted absent a showing of damage to existing banks. As emphasized by the Comptroller twenty-five years ago:

> The Comptroller is not charged with and does not undertake the enforcement of the antitrust laws, but he is obligated to exercise his discretionary power in the light of the purposes which the statutes in this field were designed to achieve. A monopoly in banking, even more so than in some other activities, is singularly dangerous because of the influence banks exercise over their communities through control of credit.[4]

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[3] Protestants' heavy reliance upon the application of mathematical formulas concerning the ratio of population to banking offices hence is misplaced. Such an approach fails to take into account the market concentration and need for bank competition, growth factors in the community, and the recent expansion by existing banks in Hickory in response to the present and anticipated demands of the banking public. All of these factors are particularly important in this instance in determining whether the approval of an additional banking office is in the public interest.

[4] 83rd Annual Report of the Comptroller of the Currency (1945), p. 4.

The entry of Wachovia Bank & Trust Co. into the Hickory/Catawba County area not only will enable the bank to serve its existing business in this community more efficiently but also will bring another strong and able competitor to the Hickory banking market. While it is by no means assured that applicant will meet with any greater success than the other banks in the community in overcoming the domination of the market by protestant First National, the Comptroller is persuaded that the additional competition will stimulate the existing banks to maintain and improve their services in an effort to maintain their market shares. This competition will assure the community of banking services of the highest quality and help to sustain its present growth. Accordingly, for all these reasons the application of Wachovia Bank & Trust Co. to establish a branch in the Hickory Plaza Shopping Center on U.S. Highway 64-70, Hickory, Catawba County, North Carolina, should be approved.

The effect upon the Comptroller of Section 53-62(b) has twice been considered by the United States Court of Appeals for the Fourth Circuit in *First National Bank of Smithfield v. Saxon*, 352 F.2d 267 (1965) and in *First-Citizens Bank & Trust Co. v. Camp*, 409 F.2d 1086 (1969). In *Smithfield* the Court of Appeals concluded that this North Carolina statute "... has not been extended to the Comptroller by the National Banking Act." In the later *First-Citizens* case, however, the Court of Appeals held that "... the Comptroller was bound by North Carolina's need and convenience and solvency of the branch criteria." The court, in reaching this conclusion, underscored "... that neither the North Carolina statute nor any decided cases provides any degree of specificity as to the factors, proof of which would show the presence or absence of 'need and convenience' for a new branch bank."

As suggested by these two contrary decisions, the problem of dealing with the North Carolina "need and convenience" statute is not an easy one. The problem is perhaps compounded rather than simplified because of the vagueness of the terms used in Section 53-62(b) and the probability that this state statute by coincidence includes many or all of the factors always considered by the Comptroller in passing upon branch applications throughout the United States. Indeed, the brief filed on behalf of the Comptroller in the *First Citizens* case noted: ". . . [T]here is no apparent difference in the subject matter inquired into by the Comptroller and the North Carolina authorities. . . ." The Comptroller is dubious, however, that the resolution of this issue should depend upon what a particular state statute happens to say.

The present application, along with several others decided this date, well illustrates this problem. Wachovia is a state-wide bank which ought to be permitted a branch in a town of growing industrial importance such as Hickory. In addition, the recent history of banking in this area has shown that the attempted penetration of the banking market by other state-wide banks has spurred the dominant First National Bank of Catawba County to improve its already fine service. In June of 1969 the Comptroller reasoned in part as follows in approving an application by North Carolina National Bank to establish a branch in Hickory:

> Of particular importance in this instance, the competition resulting from an approval of this application will have a healthy effect on the heavily concentrated banking market in the Hickory area. * * * The entry of North Carolina National Bank will add a strong competitor to the banking market

> and thus should stimulate the existing banks in the community, particularly First National, to improve services even further in an effort to maintain their market shares. [5]

That reasoning is equally applicable here, but it is unclear whether such competitive factors satisfy the North Carolina "needs and convenience" test when, as contended by the protestants, the community already receives fine service from existing banks.

The Comptroller, however, should remain free to take such factors into consideration no matter what the state statute might say. If, as the Fourth Circuit more recently concluded, the Comptroller is "bound" in approving branches by state statutes concerning economic factors, a state could just as easily preclude the Comptroller from considering a community's need and convenience. Such an untenable result is not at all hypothetical. There have been times in the last century when the so-called "free banking" statutes of various states were interpreted to require the State Banking Commissioner to approve any application for a new bank presented to him in proper form, regardless of the opinion the commissioner might have about the need for a bank or the character of the applicant. In Illinois today a state bank may establish a teller's window within certain geographical restrictions

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[5] First National of Catawba County also protested that application, making essentially the same arguments it makes here. First National filed suit in the federal district court before the Comptroller had even acted on that application, and obtained a preliminary injunction the effect of which was to delay the opening of North Carolina National's branch, should it be approved. The Comptroller did approve the application, and First National voluntarily dismissed its lawsuit.

without the approval of the Director of Financial Institutions; national banks in Illinois, however, must and do apply for the approval to establish a branch, and the Comptroller in granting and denying that approval considers the same factors that he considers in passing upon branch applications arising from North Carolina or from any other state. Similarly, in Kansas a state bank may establish a limited services banking facility subject to prescribed geographical limitations, without obtaining the approval of the Bank Commissioner; as in Illinois, national banks must apply for and receive the Comptroller's approval to open such a branch, with approval granted or denied based upon the same considerations involved in such determinations in other states. In New Jersey a state bank may interchange its main office with any of its branches, thus establishing a branch at the former main office site, without obtaining the State Banking Commissioner's approval; a national bank similarly situated, however, requires the Comptroller's approval under appropriate economic or other criteria. In each of these instances the state banking authorities are effectively precluded from considering the "needs and convenience" of the community, yet the Comptroller in considering applications by national banks can and has considered the same economic and banking factors he considers in passing upon similar applications from national banks located in other states. These factors are largely embodied in the application and investigation forms completed by the applicant bank and by a national bank examiner, and, through the questions thus asked, the Comptroller—for a period of almost forty years—has been seeking and relying upon the same types of information in passing upon every branch application submitted by national banks from Alaska to Maine. Thus

the issue is not whether the North Carolina statute is broad enough to cover the factors usually considered by the Comptroller, but whether any state has been given the power to limit the Comptroller's ability to consider economic and similar criteria in approving or disapproving branches. There are a number of reasons why this power has been denied to the states.

First, the general pattern of the federal banking statutes with regard to the authority of the Comptroller as to other matters affecting the banking structure such as the chartering of new national banks under 12 U.S.C. §§ 26 and 27, and the approval of bank mergers under 12 U.S.C. § 1828(c), has not been made in any way to depend upon state-created economic limitations. There is no reason to suppose that Congress intended such a drastic departure from this pattern with regard to the Comptroller's authority over national bank branching. Indeed, the strong implication is to the contrary.

Second, the National Bank Act requires only the Comptroller's "approval" with respect to national bank branch applications and–outside of the capital requirements and the location restrictions of state statutes–imposes no explicit restrictions or direction upon the Comptroller as to those matters which he may consider, in his discretion, in granting or denying such approvals. "An examination of congressional legislation with regard to banking since 1864 shows that Congress has consistently used the word 'approve' in the sense of conferring discretion upon the Comptroller of the Currency, the Secretary of the Treasury or the Federal Reserve Board." *Apfel v. Mellon*, 33 F.2d 802, 807 (D.C. Cir. 1929). Unquestionably, the Congress knows how to limit this discretion, as, for example, in the "report" provisions of the Bank Merger Act (12 U.S.C. § 1828(c)) and the

certification provisions of the Federal Deposit Insurance Act (12 U.S.C. §§ 1814 and 1816). Against this statutory background, it would be strange indeed to assume that the Comptroller's discretionary "approval" is limited by a requirement that he make written findings concerning some undefined standard of state law dealing with economic and banking factors. *Cf. Sterling National Bank of Davie v. Camp,* 431 F.2d 514 (5th Cir. 1970), *cert. denied,* U.S. (February 22, 1971).

Third, as the Court of Appeals recognized in *Smithfield* "That the phrase 'restrictions as to location' [in 12 U.S.C. § 36(c)] does not avert to economic factors of needs and convenience, but refers exclusively to a geographical determination is quite plain from the legislative history of the Act." Instead, it was clearly recognized by the Congress that they were ". . . legislat[ing] for a national banking system. . ." in which the effort was directed to providing national banks with statutory authority to branch in those geographic areas in which state banks were allowed to branch. See 77 Cong. Record, 3726, 4159-4181, 4182, 5863, 5895-5897. Within the established geographical limits, "branch banking would be permitted. . . at the discretion of the Comptroller of the Currency." S. Rept. No. 473, 69th Cong., 1st Sess., p. 8. There is no evidence of any desire on the part of the Congress to destroy the duality of the national and state banking systems by attempting to import anything more than "restrictions as to location" in state branching statutes into the National Bank Act. As the Third Circuit Court of Appeals has noted in discussing *First National Bank in Logan v. Walker Bank & Trust Co.,* 385 U.S. 252 (1966)–relied upon by the Fourth Circuit in the *First-Citizens* case–and the later Supreme Court case of *First National Bank in Plant City v. Dickinson,* 396 U.S. 122 (1969):

> . . . Mr. Chief Justice Burger stated that even in matters of branching, Congress was quite specific as to which provisions of state law were to be incorporated.

The Ramapo Bank v. Camp, 425 F.2d 333 (1970), *cert. denied*, 400 U.S. 828; see also *Howell v. Citizens First National Bank of Ridgewood*, 385 F.2d 528 (3d Cir. 1967).

Fourth, as already noted, a possibility of conflict exists between state and federal law or policies. The more than 100 years history of the Comptroller's Office has demonstrated periods when the growth of the national banking system was deliberately either retarded or stimulated in order to foster national economic policies. In addition, national statutes embody policies on civil rights, competition and antitrust law, interstate and foreign commerce, housing and urban redevelopment and food and agriculture—all of which can and have been promoted in various ways through the establishment and use of national bank branches. Whatever the meaning of the North Carolina statute, therefore, the national policies favoring competition embedded in such statutes as the Sherman Antitrust Act, 15 U.S.C. §§ 1-7, the Clayton Act, 15 U.S.C. §§ 12-27, and, to some extent, the Bank Merger Act, 12 U.S.C. § 1828(c), unquestionably give the Comptroller power to consider this factor in ruling upon national bank branch applications.

Fifth, 12 U.S.C. § 36(c) has never been interpreted by the Comptroller's Office or by any other federal bank regulatory agency to impose upon the national government economic and similar non-location restrictions which the states may choose to place upon state-chartered banks. Twenty-four states have statutes similar

to North Carolina's Section 53-62(b). In none of these states has the Comptroller ever made the finding ostensibly required by the state statute of the State Banking Commissioner, and a number of such branch approvals have been upheld by the courts. See, *e.g., The Ramapo Bank, supra,* and New Jersey Statutes §17:9A-20.

The Comptroller therefore declines here, and in three other opinions issued today approving branches in North Carolina [6] to make the findings required of the State Banking Commissioner by Section 53-62(b) of the North Carolina General Statutes. For the reasons stated herein, the Comptroller approves the application of Wachovia Bank & Trust Company, N.A., Winston Salem, North Carolina, to establish a branch in the Hickory Plaza Shopping Center on U.S. Highway 64-70, Hickory, Catawba County, North Carolina.

William B. Camp
Comptroller of the Currency

Dated: February 22, 1971

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[6] The other branch approvals have been issued in connection with the application of the First Union National Bank of North Carolina, Charlotte, North Carolina, for permission to establish a branch in the vicinity of the intersection of U.S. Highway 29 and Club Road, Concord, Cabarrus County, North Carolina; the application of Southern National Bank of North Carolina, Lumberton, North Carolina, to establish a branch in the Roanoke Rapids Shopping Center located on U.S. Highway 158 near Roanoke Rapids, Halifax County, North Carolina; and the application of the Southern National Bank of North Carolina, Lumberton, North Carolina, for permission to establish a branch at 107-109 Fayetteville Street, Clinton, Sampson County, North Carolina.

71-703

JUL 21 1972

In The

Supreme Court of the United States

No. 71-108, 1971 Term

UNITED STATES OF AMERICA,
Appellant,

v.

FIRST NATIONAL BANCORPORATION, INC. AND THE FIRST NATIONAL BANK OF GREELEY,
Appellees.

On Appeal from the United States District Court for the District of Colorado

BRIEF AND APPENDIX AS AMICUS CURIAE FOR THE COMMONWEALTH OF VIRGINIA

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State Corporation Commission

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III.

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In The

Supreme Court of the United States

No. 71-103, 1971 Term

UNITED STATES OF AMERICA,
Appellant,

v.

FIRST NATIONAL BANCORPORATION, INC. AND THE FIRST NATIONAL BANK OF GREELEY,
Appellees.

On Appeal from the United States District Court
for the District of Colorado

BRIEF AS AMICUS CURIAE FOR THE COMMONWEALTH OF VIRGINIA

I.

INTEREST OF THE COMMONWEALTH OF VIRGINIA

The Commonwealth of Virginia files this brief as *Amicus Curiae* in the belief that her experience over the past decade may be of use to the Court in assessing the merits of this case. The thrust of appellant's case is that leading banks in the major markets in a state must not be permitted to acquire leading banks in local markets in that state because the effect of such acquisitions may be to substantially lessen competition in those markets by reducing new entrants. The experience of the Commonwealth in the ten years since

statewide banking was adopted is not consistent with this contention.

II.

ARGUMENT

A.

Recent Development Of Banking In Virginia

In December of 1960, there were 303 commercial banking organizations in Virginia. The five largest organizations controlled 27.5% of state deposit totals.[1] Early in 1971, the number of commercial banking organizations had dropped to approximately 180 and the five largest organizations had increased their share of state deposit totals to about 51.7%.[2] Over the same period, the number of competitive alternatives in the 50 largest cities rose from a total of 141 to 198, or an average of 2.82 to 3.96.[3] The market share of the leading bank in each of the major markets in the state has fallen sharply. The movement of the larger local banks in local markets into the holding company structure has, in our judgment, increased the competitive vigor of those banking markets.

The State Corporation Commission anticipated that the 1962 changes in state banking laws would lead to acquisitions of leading local banks in various parts of the state by the state's larger banking organizations, resulting in a

[1] Polk's Bank Directory, March 1961; 1960 Annual Report F.D.I.C., Moody's Bank and Finance Manual, 1961. Unlike Colorado, Virginia has several large population centers (e.g., Tidewater, Richmond and Northern Virginia) each of which developed as a major banking market. Thus the "concentration" ratios were naturally lower.

[2] American Bank Directory, Spring, 1971; F.D.I.C. records; Moody's Bank and Finance Manual, 1971.

[3] See Appendix Table 1. Many of the tables used herein are borrowed from the application for the formation of the holding company, Virginia National Corporation, filed September 1, 1971.

nificant increase in statewide concentration ratios. The ial purpose of such legislation was a stronger banking tem and a higher order of market competition in the mmonwealth. We believe that purpose has been ac-plished.

Prior to 1962 the activities of Virginia banking organiza-ns were largely restricted to their home cities.[4] In that r, state banking laws were enacted to broaden branching hority,[5] and, almost simultaneously, holding company anizations began to develop. Promptly after and as a ect result of these changes, a number of leading banks ocal markets throughout the state were acquired by the ger banking organizations in the state. As previously icated, the number of banking organizations in the state lined sharply as a result of this activity, and the share deposits in the state controlled by the largest organiza-ns rose significantly. Changes in concentration ratios, vever, are competitively significant only to the extent they reflect changes in the competitive alternatives ilable to consumers within a market. Virginia is not a king market. The 50 largest cities in Virginia (includes cities over 5,000 in 1970 population) had 134 total king alternatives available in 1950; 141 in 1960; and on January 1, 1971.[6] Thus, these cities had an average 2.68 banking organizations in 1950; 2.82 in 1960; and 5 at the beginning of 1971. The average number of king options available within the markets of the state e increased significantly over the same period that statewide number of banking organizations has de-

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Code of Virginia, 1950, §§ 6-26, 6-27, 6-27.2.

Acts, 1962, cc. 371 and 404; 1964 Cum. Supp. to Code of Virginia, § 6-26. For current law, see Code of Virginia, 1950 (1966 acement Volume) § 6.1-39.

See Appendix Table 1.

creased. State deposit "concentration" levels have increased significantly as well. Moreover, the extent of dominance of leading banks within these markets has been sharply curtailed from earlier levels. Compare:

City	Bank[1]	12/30 1950 Market %	6/30 1970 Market %
Norfolk	Virginia National Bank	63.2	54.1
Richmond	First & Merchants State Planters	70.2	57.7
Alexandria	First & Citizens	67.9	51.6
Newport News	First & Merchants	54.5	37.0
Lynchburg	First National Trust	45.3	34.0
Roanoke	First National Exchange	58.0	49.4

[1] Listed bank or predecessor.

Source: Distribution of Bank Deposits by Counties and Standard Metropolitan Areas, December 30, 1950, Federal Reserve Board; Polk's Bank Directory, March, 1951, and September 1970; Moody's Bank and Finance Manual, various editions; F.D.I.C. records.

A comparison of the performance of Virginia with other states in the number of competitive options available in the various size categories of cities shown above confirms that these developments in local markets are associated with the statewide developments which commenced in 1962, rather than reflecting general industry trends. In each category, Virginia now ranks substantially above the national average as shown below:[7]

[7] See Appendix Tables 4-7.

Average Number of Commercial Banking Organizations Per City in Cities of 5,000 to 49,999 Population in 1970 in the United States and in Virginia[1]

	Cities With 1970 Population Between:			
	5,000 and 9,999	10,000 and 14,999	15,000 and 29,999	30,000 and 49,999
ited States	1.99	2.41	2.83	3.29
rginia	2.41	3.33	3.20	5.00

[1]Includes all cities of 5,000 to 49,999 population located outside andard Metropolitan Statistical Areas.

Another performance measure which is a guide to the blic service afforded by the banks of a state is the ratio population per office. In 1950, there were 7,971 people r commercial banking office in the United States.[8] The rginia average was slightly less at 7,772. The national ure has been sharply reduced to 5,765 as of the end of ecember, 1970. Nevertheless with the statewide develop-nts previously noted, Virginia has bettered that perform-ce substantially and now stands at 4,394 per office, as own below:

	Dec. 30, 1950	Dec. 31, 1970
ited States (48 states and D.C.)		
Population	150,697,361	202,112,686
Banking Offices	18,905	35,057
Population Per Office	7,971	5,765
rginia		
Population	3,318,680	4,648,494
Banking Offices	427	1,058
Population Per Office	7,772	4,394
% Above or Below U.S.	—2.5%	—23.8%

urce: 1950 and 1970 Annual Report, F.D.I.C.; 1950 and 1970 Census of Population.

Coterminous U.S. (original 48 states and D.C.).

The comparative figures and the rate of change in this short span of time support the conclusion that the banking environment in Virginia has become more competitive than the nation as a whole, despite the increase in statewide concentration levels. An increase in statewide concentration levels is not undesirable where it can be shown, as in Virginia, that the greater concentration has resulted in increased local market alternatives. For example, a decrease from 50 to 10 in the number of banking organizations within a state is not an undesirable competitive development if each of the 50 previously had a monopoly position in its local market which is now being served by five or six of the present organizations.

B.

Continued Orderly Development Of Banking In Virginia

In the view of the Commonwealth this coalescence of banking resources in the State is desirable so long as it continues to provide increased local market alternatives. With its jurisdiction over the organization of new banks and the acquisition of existing banks by merger, the State Corporation Commission (and its federal regulatory counterparts) are able to prevent moves that adversely affect the competitive quality of banking markets throughout the State.

In this connection the Commonwealth disagrees with the view expressed by the Federal Deposit Insurance Corporation that the preservation or improvement of local competition receives "little attention" by state bank supervisors under "public convenience and needs" criteria.[9] In Virginia the State Corporation Commission gives considerable attention to the competitive implications of bank expansion cases. Moreover, we think the views of state bank supervisors as

[9] F.D.I.C. brief, p. 11.

to the probability that a new bank would be authorized in a particular market should be entitled to great weight. Who else is better qualified by experience and intimate knowledge of local conditions to make that judgment?

III.

CONCLUSION

In our experience the growth of statewide banking organizations has led to more competitive and healthier local banking markets. Under the control of the State Corporation Commission and appropriate federal counterparts there has been an orderly development of banking in Virginia, proving the wisdom of the policy adopted by the Commonwealth in 1962.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that this 21st day of July I have delivered 40 copies of this brief to the clerk of the Supreme Court of the United States and mailed postage pre-paid 3 copies

to the following in accordance with paragraph 1 of Rule 33 of the Supreme Court Rules:

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APPENDIX

TABLE 1

Cities Over 5,000 Population In 1970 In Virginia

Number of Commercial Banking Organizations in 1950, 1960 and 1971

Cities[1]	December 1950	June 1960	January 1971
Alexandria	4	4	10
Arlington	4	4	6
Bedford	2	2	2
Blacksburg	2	2	3
Bluefield	1	1	2
Bristol[2]	3	5	5
Buena Vista	2	2	3
Charlottesville	3	3	4
Chesapeake	1[3]	2[3]	7
Christiansburg	2	2	3
Clifton Forge	2	2	2
Colonial Heights	1	1	2
Covington	2	2	2
Culpeper	2	2	2
Danville	5	7	7
Emporia	2	2	2
Fairfax (City)	1	1	5
Falls Church	1	3	8
Franklin	2	2	2

TABLE 1—Continued

Cities[1]	December 1950	June 1960	Janu 19
Fredericksburg	2	2	
Front Royal	2	2	
Galax	2	2	
Hampton	5[4]	4	
Harrisonburg	3	3	
Hopewell	1	2	
Lexington	3	3	
Lynchburg	6	4	
Manassas	2	2[6]	
Marion	2	2	
Martinsville	2	3	
Newport News	5[5]	5	
Norfolk	5[7]	5	
Petersburg	3	3	
Poquoson	2[8]	2	
Portsmouth	4	5	
Pulaski	2	2	
Radford	2	2	
Richmond	11	9	
Roanoke	4	4	
Salem	2	2	
South Boston	2	2	
Staunton	5	4	

TABLE 1—Continued

Cities[1]	December 1950	June 1960	January 1971
Suffolk	3	3	4
Vienna	1	1	4
Vinton	1	1	3
Virginia Beach	2[9]	2[9]	7
Waynesboro	2	2	3
Williamsburg	1	2	2
Winchester	3	3	3
Wytheville	2	2	3
Total, above 50 cities	134	141	198

[1] All incorporated places over 5,000 population in 1970 and Arlington County (which is unincorporated).

[2] Bristol, Virginia and Tennessee combined.

[3] Includes Norfolk County (other than Tanners Creek district) and South Norfolk, which were combined in 1963 and named Chesapeake City.

[4] Includes Elizabeth City County which became part of Hampton in 1952.

[5] Includes Warwick County which became part of Newport News in 1958.

[6] Includes Manassas Park.

[7] Includes Tanners Creek district of Norfolk County which was annexed by Norfolk after 1950.

[8] Poquoson district of York County which became Poquoson City after 1950.

[9] Includes Princess Anne County which became part of Virginia Beach City in 1963.

[10] As of mid-1971.

Sources: Polks Bank Directory, March 1951 and September 1960. American Bank Directory, Spring 1971; FDIC records; Moody's Bank and Finance Manual, 1951, 1961 and 1971. Commercial Atlas and Marketing Guide, 1970, Rand McNally & Co.

TABLE 2

Cities Over 5,000 Population In 1970 In Virginia

Number of Commercial Banking Offices in 1950, 1960 and 1971

Cities[1]	December 1950	June 1960	January 1971
Alexandria	6	15	35
Arlington	8	17	54
Bedford	2	2	3
Blacksburg	2	2	5
Bluefield	1	1	3
Bristol[2]	3	10	15
Buena Vista	2	2	3
Charlottseville	5	9	20
Chesapeake	3[3]	2[3]	12
Christiansburg	2	2	3
Clifton Forge	2	2	3
Colonial Heights	1	2	3
Covington	2	2	3
Culpeper	2	2	4
Danville	9	13	18
Emporia	2	2	11
Fairfax (City)	1	2	11
Falls Church	1	6	16
Franklin	2	2	2

TABLE 2—Continued

Cities[1]	December 1950	June 1960	January 1971
Fredericksburg	3	4	8
Front Royal	2	2	5
Galax	2	2	5
Hampton	5[4]	10	18
Harrisonburg	3	6	11
Hopewell	1	2	4
Lexington	3	3	6
Lynchburg	9	14	22
Manassas	2	3[6]	8[6]
Marion	2	2	3
Martinsville	2	6	9
Newport News	7[5]	13	23
Norfolk	25[7]	34	51
Petersburg	3	8	10
Poquoson	2[8]	2	2
Portsmouth	6	13	19
Pulaski	2	2	3
Radford	2	3	6
Richmond	25	43	59
Roanoke	7	14	23[10]
Salem	2	2	8[10]
South Boston	2	2	2
Staunton	5	5	10

TABLE 2—Continued

Cities[1]	December 1950	June 1960	January 1971
Suffolk	3	4	6
Vienna	1	1	6
Vinton	1	1	3
Virginia Beach	3[9]	6[9]	29
Waynesboro	3	4	6
Williamsburg	1	3	4
Winchester	3	7	13
Wytheville	2	2	6
Total, above 50 cities	193	318	605

[1] All incorporated places over 5,000 population in 1970 and Arlington County (which is unincorporated).

[2] Bristol, Virginia and Tennessee combined.

[3] Includes Norfolk County (other than Tanners Creek district) and South Norfolk, which were combined in 1963 and named Chesapeake City.

[4] Includes Elizabeth City County which became part of Hampton in 1952.

[5] Includes Warwick County which became part of Newport News in 1958.

[6] Includes Manassas Park.

[7] Includes Tanners Creek district of Norfolk County which was annexed by Norfolk after 1950.

[8] Poquoson district of York County which became Poquoson City after 1950.

[9] Includes Princess Anne County which became part of Virginia Beach City in 1963.

[10] As of mid-1971.

Sources: Polks Bank Directory, March 1951 and September 1960; American Bank Directory, Spring 1971; FDIC records; Commercial Atlas and Marketing Guide, 1970, Rand McNally & Co.

TABLE 3

Cities Over 5,000 Population In 1970 In Virginia

Population in 1950, 1960 and 1970

Cities[1]	1950	1960	1970
lexandria	61,787	91,023	110,938
rlington	135,449	163,401	174,284
edford	4,061	5,921	6,011
lacksburg	3,358	7,070	9,384
luefield	4,212	4,235	5,286
ristol[2]	32,725	34,726	34,921
uena Vista	5,214	6,300	6,425
harlottesville	25,969	29,427	38,880
hesapeake	71,279[3]	73,647[3]	89,580
hristiansburg	2,967	3,653	7,857
lifton Forge	5,795	5,268	5,501
olonial Heights	6,077	9,587	15,097
ovington	5,860	11,062	10,060
ulpeper	2,527	2,412	6,056
anville	35,066	46,577	46,391
mporia	5,664	5,535	5,300
airfax (City)	1,946	13,585	21,970
alls Church	7,535	10,192	10,772
ranklin	4,670	7,264	6,880
redericksburg	12,158	13,639	14,450

TABLE 3—Continued

Cities[1]	1950	1960	1970
Front Royal	8,115	7,949	8,211
Galax	5,248	5,254	6,278
Hampton	60,994[4]	89,258	120,779
Harrisonburg	10,810	11,916	14,605
Hopewell	10,219	17,895	23,471
Lexington	5,976	7,537	7,597
Lynchburg	47,727	54,790	54,083
Manassas	1,804	8,897[6]	16,008[6]
Marion	6,982	8,385	8,158
Martinsville	17,251	18,798	19,653
Newport News	82,233[5]	113,662	138,177
Norfolk	252,605[7]	304,869	307,951
Petersburg	35,054	36,750	36,103
Poquoson	4,297[8]	4,278	5,441
Portsmouth	80,039	114,773	110,963
Pulaski	9,202	10,469	10,279
Radford	9,026	9,371	11,596
Richmond	230,310	219,958	249,621
Roanoke	91,921	97,110	92,115
Salem	6,823	16,058	21,982
South Boston	6,057	5,974	6,889
Staunton	19,927	22,232	24,504
Suffolk	12,339	12,609	9,858

TABLE 3—Continued

Cities[1]	1950	1960	1970
Vienna	2,029	11,440	17,152
Vinton	3,629	3,432	6,347
Virginia Beach	42,277[9]	85,218[9]	172,106
Waynesboro	12,357	15,694	16,707
Williamsburg	6,735	6,832	9,069
Winchester	13,841	15,110	14,643
Wytheville	5,513	5,634	6,069
Total, above 50 cities	1,535,659	1,884,676	2,172,458

[1] All incorporated places over 5,000 population in 1970 and Arlington County (which is unincorporated).

[2] Bristol, Virginia and Tennessee combined.

[3] Includes Norfolk County (other than Tanners Creek district) and South Norfolk, which were combined in 1963 and named Chesapeake City.

[4] Includes Elizabeth City County which became part of Hampton in 1952.

[5] Includes Warwick County which became part of Newport News in 1958.

[6] Includes Manassas Park.

[7] Includes Tanners Creek district of Norfolk County which was annexed by Norfolk after 1950.

[8] Poquoson district of York County which became Poquoson City after 1950.

[9] Includes Princess Anne County which became part of Virginia Beach City in 1963.

Sources: Census of Population, 1950, 1960 and 1970. Commercial Atlas and Marketing Guide, 1970, Rand McNally & Co.

TABLE 4

Average Number of Commercial Banking Organizations Per City in Cities of 5,000 to 9,999 Population in the United States and in States with Indicated Branching Regulations, 1970[1]

	Average number of banks per city	Total number of cities	Number of Cities with:					
			No banks	1 bank	2 banks	3 banks	4 banks	5 or more
Total United States	1.99	801	6	111	575	101	8	.....
% of total		100.0	.7	13.9	71.8	12.6	1.0	.....
Alabama	2.13	23	.....	2	17	3	1	.....
Alaska	2.50	2	.....	.....	1	1	.....	.....
Arkansas	2.06	18	.....	.....	17	1	.....	.....
Arizona	2.00	9	.....	2	5	2	.....	.....
California	2.35	23	1	3	8	9	2	.....
Colorado	2.00	8	.....	.....	8	.....	.....	.....
Connecticut	2.00	4	.....	1	2	1	.....	.....
Delaware	2.00	2	.....	.....	2	.....	.....	.....
Florida	1.39	28	2	14	11	1	.....	.....
Georgia	2.05	21	.....	1	18	2	.....	.....
Hawaii	3.00	2	.....	.....	.....	2	.....	.....
Idaho	2.75	4	.....	.....	1	3	.....	.....
Illinois	1.89	37	1	6	26	4	.....	.....
Indiana	1.95	21	.....	2	18	1	.....	.....
Iowa	2.06	33	.....	1	29	3	.....	.....
Kansas	2.62	8	.....	.....	4	3	1	.....
Kentucky	2.20	20	.....	2	13	4	1	.....
Louisiana	2.00	24	.....	2	20	2	.....	.....
Maine	2.07	14	.....	2	9	3	.....	.....
Maryland	2.50	21	.....	.....	1	1	.....	.....
Massachusetts	2.11	9	.....	2	5	1	1	.....
Michigan	1.70	27	.....	8	19	.....	.....	.....
Minnesota	1.86	21	.....	3	18	.....	.....	.....
Mississippi	2.06	17	.....	1	14	2	.....	.....

Missouri	2.17	23	.....	1	17	5	.....	.....
Montana	2.00	5	.....	.....	5	.....	.....	.....
Nebraska	2.00	15	.....	.....	15	.....	.....	.....
Nevada	2.00	1	.....	.....	1	.....	.....	.....
New Hampshire	1.37	8	.....	5	3	.....	.....	.....
New Jersey	1.24	21	.....	16	5	.....	.....	.....
New Mexico	1.75	8	1	.....	7	.....	.....	.....
New York	2.05	20	.....	4	11	5	.....	.....
North Carolina	2.14	29	.....	1	23	5	.....	.....
North Dakota	2.50	4	.....	.....	2	2	.....	.....
Ohio	1.90	30	.....	8	17	5	.....	.....
Oklahoma	1.96	24	.....	1	23	.....	.....	.....
Oregon	2.50	8	.....	.....	4	4	.....	.....
Pennsylvania	2.13	38	.....	4	26	7	1	.....
Rhode Island	2.00	2	.....	1	.....	1	.....	.....
South Carolina	2.14	21	.....	.....	18	3	.....	.....
South Dakota	2.00	4	.....	.....	4	.....	.....	.....
Tennessee	2.00	24	.....	2	20	2	.....	.....
Texas	1.84	57	.....	10	46	1	.....	.....
Utah	1.67	3	.....	1	2	.....	.....	.....
Vermont	2.29	7	.....	1	3	3	.....	.....
Virginia	2.41	17	.....	.....	11	5	1	.....
Washington	2.00	12	.....	2	8	2	.....	.....
West Virginia	1.90	10	1	.....	8	1	.....	.....
Wisconsin	1.96	27	.....	2	24	1	.....	.....
Wyoming	2.00	6	.....	.....	6	.....	.....	.....

[1] Excludes cities in Standard Metropolitan Statistical Areas.

Sources: 1970 Census of Population, Advance Report, Final Population Count, Bureau of the Census, U.S. Department of Commerce. American Bank Directory, Spring Edition, 1970. Operating Banking Offices, January 1, 1970, FDIC. Standard Metropolitan Statistical Areas of the United States, 1967, Bureau of the Budget, Executive Office of the President. Subsidiary Banks of Bank Holding Companies, Dec. 31, 1969, Federal Reserve.

TABLE 3

Average Number of Commercial Banking Organizations Per City in Cities of 10,000 to 14,999 Population in the United States and in States with Indicated Branching Regulations, 1970[1]

	Average number of banks per city	Total number of cities	Number of Cities with:					
			No banks	1 bank	2 banks	3 banks	4 banks	5 or more
Total United States	2.41	288	1	12	163	95	14	3
% of Total		100.0	.3	4.2	56.6	33.0	4.9	1.0
Alabama	2.33	9	.....	.....	6	3	.....	.....
Alaska	4.00	1	.....	.....	.....	.....	1	.....
Arkansas	1.87	8	.....	1	7	.....	.....	.....
Arizona	2.67	3	.....	.....	1	2	.....	.....
California	3.44	9	.....	.....	2	2	4	1[2]
Colorado	3.00	2	.....	.....	.....	2	.....	.....
Connecticut	2.00	3	.....	1	1	1	.....	.....
Delaware	.....	.....	.....	.....	.....	.....	.....	.....
Florida	1.90	10	1	1	6	2	.....	.....
Georgia	2.36	11	.....	.....	7	4	.....	.....
Hawaii	.....	.....	.....	.....	.....	.....	.....	.....
Idaho	3.00	2	.....	.....	.....	2	.....	.....
Illinois	2.12	8	.....	1	5	2	.....	.....
Indiana	2.37	8	.....	.....	6	1	1	.....
Iowa	2.60	5	.....	.....	2	3	.....	.....
Kansas	2.45	11	.....	.....	6	5	.....	.....
Kentucky	2.37	8	.....	.....	5	3	.....	.....
Louisiana	2.29	7	.....	.....	5	2	.....	.....
Maine	3.00	3	.....	.....	1	1	1	.....
Maryland	4.00	1	.....	.....	.....	.....	1	.....
Massachusetts	1.86	7	.....	1	6	.....	.....	.....
Michigan	1.67	6	.....	2	4	.....	.....	.....
Minnesota	3.00	8	.....	.....	.....	8	.....	.....
Mississippi	2.25	8	.....	.....	6	2	.....	.....

Missouri	2.25	8	.....	.....	6	2	.....	.....
Montana	2.50	2	.....	.....	1	1	.....	.....
Nebraska	2.00	2	.....	.....	2	.....	.....	.....
Nevada	.....	.....	.....	.....	.....	.....	.....	.....
New Hampshire	1.50	2	.....	1	1	.....	.....	.....
New Jersey	1.75	8	.....	2	6	.....	.....	.....
New Mexico	2.00	3	.....	.....	3	.....	.....	.....
New York	2.14	7	.....	.....	6	1	.....	.....
North Carolina	2.89	9	.....	.....	2	6	1	.....
North Dakota	2.33	3	.....	.....	2	1	.....	.....
Ohio	2.29	14	.....	.....	11	2	1	.....
Oklahoma	2.25	4	.....	.....	3	1	.....	.....
Oregon	2.78	9	.....	.....	2	7	.....	.....
Pennsylvania	2.54	13	.....	.....	8	4	.....	1[2]
Rhode Island	4.00	1	.....	.....	.....	.....	1	.....
South Carolina	2.60	5	.....	.....	2	3	.....	.....
South Dakota	2.40	5	.....	.....	3	2	.....	.....
Tennessee	2.56	9	.....	.....	4	5	.....	.....
Texas	2.21	19	.....	1	13	5	.....	.....
Utah	2.00	2	.....	.....	2	.....	.....	.....
Vermont	3.00	1	.....	.....	.....	1	.....	.....
Virginia	3.33	6	.....	.....	2	1	2	1[2]
Washington	2.50	6	.....	.....	3	3	.....	.....
West Virginia	2.50	2	.....	1	.....	.....	1	.....
Wisconsin	2.50	8	.....	.....	4	4	.....	.....
Wyoming	2.50	2	.....	.....	1	1	.....	.....

[1] Excludes cities in Standard Metropolitan Statistical Areas.

[2] Five banks.

Sources: 1970 Census of Population, Advance Report, Final Population Count, Bureau of the Census, U.S. Department of Commerce. American Bank Directory, Spring Edition, 1970. Operating Banking Offices, January 1, 1970, FDIC. Standard Metropolitan Statistical Areas of the United States, 1967, Bureau of the Budget, Executive Office of the President. Subsidiary Banks of Bank Holding Companies, Dec. 31, 1969, Federal Reserve.

Average Number of Commercial Banking Organizations Per City in Cities of 15,000 to 29,999 Population in the United States and in States with Indicated Branching Regulations, 1970[1]

	Average number of banks per city	Total number of cities	Number of Cities with:					
			No banks	1 bank	2 banks	3 banks	4 banks	5 or more
Total United States	2.83	286	.....	6	97	133	41	9
% of total		100.0	.....	2.1	33.9	46.5	14.3	3.2
Alabama	2.60	5	.....	.....	3	1	1	.....
Alaska	.....	.....	.....	.....	.....	.....	.....	.....
Arkansas	2.40	5	.....	.....	3	2	.....	.....
Arizona	3.50	2	.....	.....	.....	1	1	.....
California	4.64	11	.....	.....	.....	.....	5	6[2]
Colorado	2.50	2	.....	.....	1	1	.....	.....
Connecticut	3.00	1	.....	.....	.....	1	.....	.....
Delaware	4.00	1	.....	.....	.....	.....	1	.....
Florida	3.00	8	.....	.....	1	6	1	.....
Georgia	2.67	9	.....	.....	3	6	.....	.....
Hawaii	6.00	1	.....	.....	.....	.....	.....	1[3]
Idaho	3.25	4	.....	.....	.....	3	1	.....
Illinois	2.31	13	.....	.....	9	4	.....	.....
Indiana	2.00	8	.....	.....	8	.....	.....	.....
Iowa	2.50	4	.....	.....	2	2	.....	.....
Kansas	3.11	9	.....	.....	.....	8	1	.....
Kentucky	2.25	4	.....	.....	3	1	.....	.....
Louisiana	3.00	6	.....	.....	.....	6	.....	.....
Maine	2.00	5	.....	2	2	.....	1	.....
Maryland	3.67	3	.....	.....	.....	1	2	.....
Massachusetts	2.33	6	.....	.....	4	2	.....	.....
Michigan	2.62	8	.....	.....	4	3	1	.....
Minnesota	2.80	5	.....	.....	1	4	.....	.....
Mississippi	2.56	9	.....	.....	5	3	1	.....

Missouri	3.25	4	.....	.....	.....	3	1	.....
Montana	3.50	4	.....	.....	.....	2	2	.....
Nebraska	3.00	6	.....	.....	2	2	2	.....
Nevada	3.00	1	.....	.....	.....	1	.....	.....
New Hampshire	2.40	5	.....	.....	3	2	.....	.....
New Jersey	1.70	10	.....	4	5	1	.....	.....
New Mexico	2.60	5	.....	.....	2	3	.....	.....
New York	2.87	15	.....	.....	5	7	3	.....
North Carolina	3.00	14	.....	.....	3	8	3	.....
North Dakota	3.00	1	.....	.....	.....	1	.....	.....
Ohio	2.73	15	.....	.....	5	9	1	.....
Oklahoma	2.75	8	.....	.....	2	6	.....	.....
Oregon	3.33	3	.....	.....	.....	2	1	.....
Pennsylvania	3.44	9	.....	.....	2	2	4	1[4]
Rhode Island	.....	.....	.....	.....	.....	.....	.....	.....
South Carolina	3.50	4	.....	.....	.....	2	2	.....
South Dakota	3.00	1	.....	.....	.....	1	.....	.....
Tennessee	3.17	6	.....	.....	1	3	2	.....
Texas	2.47	19	.....	.....	10	9	.....	.....
Utah	3.00	1	.....	.....	.....	1	.....	.....
Vermont	3.00	1	.....	.....	.....	1	.....	.....
Virginia	3.20	5	.....	.....	1	3	.....	1[4]
Washington	2.89	9	.....	.....	3	4	2	.....
West Virginia	3.20	5	.....	.....	1	2	2	.....
Wisconsin	2.40	5	.....	.....	3	2	.....	.....
Wyoming	3.00	1	.....	.....	.....	1	.....	.....

[1] Excludes cities in Standard Metropolitan Statistical Areas.

[2] Five cities with 5 banking organizations and 1 city with 6 banking organizations.

[3] Six banks.

[4] Five banks.

Sources: 1970 Census of Population, Advance Report, Final Population Count, Bureau of the Census, U.S. Department of Commerce. American Bank Directory, Spring Edition, 1970. Operating Banking Offices, January 1, 1970, FDIC. Standard Metropolitan Statistical Areas of the United States, 1967, Bureau of the Budget, Executive Office of the President. Subsidiary Banks of Bank Holding Companies, Dec. 31, 1969, Federal Reserve.

Average Number of Commercial Banking Organizations Per City in Cities of 30,000 to 49,999 Population in the United States and in States with Indicated Branching Regulations, 1970[1]

	Average number of banks per city	Total number of cities	Number of Cities with:					
			No banks	1 bank	2 banks	3 banks	4 banks	5 or more
Total United States	3.29	126	.....	1	20	60	34	11
% of Total		100.0	.....	.8	15.9	47.6	27.0	8.7
Alabama	3.00	4	.....	.....	.....	4	.....	.....
Alaska	4.00	1	.....	.....	.....	.....	1	.....
Arkansas	2.00	2	.....	.....	2	.....	.....	.....
Arizona	.....	.....	.....	.....	.....	.....	.....	.....
California	4.00	1	.....	.....	.....	.....	1	.....
Colorado	4.00	2	.....	.....	.....	.....	2	.....
Connecticut	2.50	2	.....	.....	1	1	.....	.....
Delaware	.....	.....	.....	.....	.....	.....	.....	.....
Florida	3.83	6	.....	.....	1	1	2	2[2]
Georgia	3.33	3	.....	.....	.....	2	1	.....
Hawaii	.....	.....	.....	.....	.....	.....	.....	.....
Idaho	4.00	2	.....	.....	.....	.....	2	.....
Illinois	3.40	5	.....	.....	1	2	1	1[2]
Indiana	2.33	6	.....	.....	4	2	.....	.....
Iowa	3.00	6	.....	.....	.....	6	.....	.....
Kansas	3.67	3	.....	.....	.....	1	2	.....
Kentucky	3.00	2	.....	.....	.....	2	.....	.....
Louisiana	3.00	3	.....	.....	.....	3	.....	.....
Maine	4.00	1	.....	.....	.....	.....	1	.....
Maryland	4.00	1	.....	.....	.....	.....	1	.....
Massachusetts	2.00	1	.....	.....	1	.....	.....	.....
Michigan	2.33	3	.....	.....	2	1	.....	.....
Minnesota	4.00	2	.....	.....	.....	.....	2	.....
Mississippi	3.50	4	.....	.....	.....	2	2	.....

Missouri	3.00	2	.....	.....	.....	2	.....	.....
Montana	.....	.....	.....	.....	.....	.....	.....	.....
Nebraska	3.00	1	.....	.....	.....	1	.....	.....
Nevada	.....	.....	.....	.....	.....	.....	.....	.....
New Hampshire	2.00	1	.....	.....	1	.....	.....	.....
New Jersey	2.40	5	.....	1	1	3	.....	.....
New Mexico	2.67	3	.....	.....	1	2	.....	.....
New York	3.00	5	.....	.....	2	2	.....	1[2]
North Carolina	3.67	3	.....	.....	.....	2	.....	1[2]
North Dakota	4.00	3	.....	.....	.....	.....	3	.....
Ohio	3.17	6	.....	.....	.....	5	1	.....
Oklahoma	3.33	3	.....	.....	.....	2	1	.....
Oregon	3.00	1	.....	.....	.....	1	.....	.....
Pennsylvania	3.33	3	.....	.....	.....	2	1	.....
Rhode Island	5.00	1	.....	.....	.....	.....	.....	1[2]
South Carolina	4.50	2	.....	.....	.....	.....	1	1[2]
South Dakota	3.00	1	.....	.....	.....	1	.....	.....
Tennessee	3.25	4	.....	.....	.....	3	1	.....
Texas	3.40	5	.....	.....	1	2	1	1[2]
Utah	.....	.....	.....	.....	.....	.....	.....	.....
Vermont	3.00	1	.....	.....	.....	1	.....	.....
Virginia	5.00	3	.....	.....	.....	.....	2	1[3]
Washington	4.33	3	.....	.....	.....	.....	2	1[2]
West Virginia	5.00	1	.....	.....	.....	.....	.....	1[2]
Wisconsin	2.86	7	.....	.....	2	4	1	.....
Wyoming	4.00	2	.....	.....	.....	.....	2	.....

[1] Excludes cities in Standard Metropolitan Statistical Areas.

[2] Five banks.

[3] Seven banks.

Sources: 1970 Census of Population Advance Report, Final Population Count, Bureau of the Census, U.S. Department of Commerce. American Bank Directory, Spring and Fall Editions, 1970. Operating Banking Offices, January 1, 1970, FDIC. Standard Metropolitan Statistical Areas of the United States, 1967, Bureau of the Budget, Executive Office of the President. Subsidiary Banks of Bank Holding Companies, Dec. 31, 1969, Federal Reserve.

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IN THE

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OCTOBER TERM, 1971

No. 71-703

UNITED STATES OF AMERICA,

Appellant,

v.

FIRST NATIONAL BANCORPORATION, INC. and THE FIRST NATIONAL BANK OF GREELEY,

Appellees,

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLORADO

BRIEF FOR APPELLEES

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IN THE

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OCTOBER TERM, 1971

No. 71-703

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Appellant,

v.

FIRST NATIONAL BANCORPORATION, INC. and THE FIRST NATIONAL BANK OF GREELEY,

Appellees,

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLORADO

BRIEF FOR APPELLEES

STATEMENT OF THE CASE

On October 18, 1968, The First National Bancorporation, Inc., Denver, Colorado, (hereinafter "Bancorporation") was established as a holding company for The First National Bank of Denver ("FNB Denver") and three retail, suburban Denver banks it had organized as affiliates.[1] At June 30, 1970, these four banks had

[1] The First National Bank of Northglenn, The First National Bank of Bear Valley, and The First National Bank of Southglenn.

deposits of $495.7 million, or 12.9% of total deposits of all commercial banking offices in Colorado (App. 1144). However, Denver is a regional center for a number of states, and FNB Denver is a regional bank, serving large commercial accounts throughout the region.[2] Bancorporation's share of total accounts and dollars of deposit in small accounts ($0–$1,000) in Colorado is about 5% (App. 1688).

On November 5, 1969, Bancorporation applied to the Board of Governors of the Federal Reserve System ("the Board") for permission to acquire 80% or more of the capital stock of The First National Bank of Greeley ("FNB Greeley") which had deposits of $39.3 million on June 30, 1970. (App. 1155). Bancorporation had not previously tried to acquire any commercial banks. On June 9, 1970, the Board approved (App. 1713). Appellant instituted this action on July 8, 1970. By force of the filing, the acquisition was automatically enjoined. The complaint was amended by leave of the court on March 5, 1971. A plenary trial was held on May 3 through 6 and May 10 through 13, 1971. The trial court found for the defendants on July 12, 1971. Appellant moved to reopen the record and a hearing was held on August 9, 1971. After both sides had been fully heard and their evidence taken, the trial court denied the motion. Thereafter, Appellant prosecuted this appeal from the dismissal of its complaint.

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[2] This distinguishes the unit banking state from the large statewide branching chains where a string of retail offices enables the system to retain a similar proportion of both retail and wholesale customers.

BANKING IN COLORADO

Colorado is a unit banking state, that is, no bank may establish branches.[3] There are, however, no prohibitions against corporate ownership of more than one bank. Western Bancorporation ("Western") with systemwide deposits of $10 billion in 11 western states, is the largest commercial bank holding company (*Moody's Bank & Finance Manual*, 1971) doing business in Colorado, with Colorado deposits of $197.9 million on June 30, 1970 (329 F. Supp. at 1009).[4] This holding company is headquartered in California and is barred by federal law from increasing the number of its Colorado banking subsidiaries. United Banks of Colorado Inc. ("United") is the second largest commercial bank holding company doing business in Colorado. At the time of the trial of this case, it had 9 banks (8 acquired) with system deposits (all in Colorado) of $565.5 million (329 F. Supp. at 1009). Bancorporation was the third largest.

In 1961, when only Western had a holding company in Colorado, there were 164 *banks* in Colorado representing 162 banking *organizations*. The five largest *organizations* controlled 52% of state deposits. By year-end 1970, there were 228 *banks* in Colorado representing 198 banking *organizations*. The five largest *organizations* controlled

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[3] 14 Colo. Rev. Stat. 14-3-1. A "facility" is permitted within 2,000 feet of the banking office.

[4] The district court's Memorandum Opinion and Order, dated July 12, 1971, is reported at 329 F. Supp. 1003. Because of Appellant's refusal to print the lower court's opinion in the Joint Appendix–notwithstanding Appellees' cross-designation of the opinion and the clear requirement to that effect imposed by Court Rule 36(1)(2)–it is, unfortunately, impossible for Appellees to follow the customary practice of citing the lower court's opinion by a reference to the Joint Appendix.

47.8% of state deposits (App. 1660-1661). Despite the proliferation of holding companies in the intervening decade, the number of organizations rose sharply and the share of the largest organizations had dropped meaningfully.[5] Over the same time span (1961-1970), the number of commercial banking organizations in the City of Greeley rose from 3 to 4 (and now 5).[6] Greeley is served by three banks of the Affiliated Bankshares of Colorado, Inc. group (Greeley National Bank, West Greeley National Bank and Cache National Bank) with deposits of $55 million (43.9%); FNB Greeley with deposits of $40.9 million (32.6%); United Bank of Greeley (a member of

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[5]Appellant makes an inept attempt to create an appearance of a trend toward concentration by comparing market share of *holding companies* in 1961 (at which time there was one) and in 1971 (at which time there were seven). While it may be technically true that "holding company" shares rose from 4.4% to 47.8%, that fact is competitively irrelevant. What *is* relevant is that in 1961 FNB Denver held 15.1%, while in 1970 FNB Denver and its affiliates in Bancorporation together controlled 12.9%; what is relevant is that in 1961, the five largest competitors in the State had 52% of deposits, whereas in 1970 they had 47.8% (App. 1661). Although Appellant's comparisons are thus irrelevant to these deliberations, surely a representation that "[b]y concentrating on the acquisition of local market leaders in Colorado's most significant banking markets . . . these seven companies *had obtained* 51 per cent of the State's total deposits . . ." (Government Brief, 5-6) so grossly distorts the truth—a loss of market share—as to raise fundamental doubts as to Appellant's faith in the merits of its case.

[6]The State Bank of Greeley converted from an industrial charter in 1965 (App. 277, 1356). In early May, 1972, the State Banking Board approved a charter for Colorado National Bankshares, Inc. in a new shopping center on the southern border of Greeley (*Denver Post*, May 2, 1972, p. 51) and the Board's formal opinion to that effect was issued on May 24, 1972 (*In re Application for Charter of Weld Colorado Bank*, Findings of Fact, Order Granting Application, Banking Board of the State of Colorado).

the United Banks of Colorado group) with deposits of $27.4 million (21.8%); State Bank of Greeley with deposits of $2.1 million (1.7%);[7] and now a new subsidiary of Colorado National Bankshares, Inc. (Colorado National).[8]

SUMMARY OF ARGUMENT

I.

HORIZONTAL CASE

Acquisition of FNB Greeley by Bancorporation was blocked by Appellant on the ground that Bancorporation was a critical potential entrant into Greeley, the absence of which from the pool of potential entrants would constitute, in reasonable probability, a substantial lessening of competition in that market.

There are five banking organizations with offices in Greeley, a city of 38,902 (Census population, April 1, 1970). Yet, of 126 free standing cities (not a part of a larger metropolitan area) with populations of 30-50,000 in the United States, 99+% are served by fewer or no more banking organizations than serve Greeley. One, Danville, Virginia,[9] is served by more, 113 by less. The average number of banks in such cities is 3.29 (App. 1686).

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[7] Deposits as of year end 1970 (App. 1692).

[8] Deposits as of year-end 1970, $315 million (App. 1371).

[9] Danville has a special background. When the Commonwealth of Virginia decided to abandon industrial banks (essentially small loan companies with the right to receive time deposits) as a form of financial business in the state, it provided by statute that already extant industrial banks could convert to commercial bank status without demonstrating a need for additional banks in the market

Weld County, where Greeley is located, has 17 banks.[10] Of the 2,810 counties or county equivalents in the United States with less than 100,000 population, only 3 had more banks than Weld.[11] The proposition that Greeley is in critical need of additional banks rests not then on underbanking—even Appellant concedes that a limited number of banks is structurally appropriate to local markets (Jurisdictional Statement ("JS") at 17, Government's Brief ("GB") at 23)—but apparently on a concept that even an appropriate number of banks is too few if absolute numbers are below Appellant's desired norm—a norm which would appear unachievable in practice.

Appellant's assertion that Bancorporation has some peculiar importance as a potential entrant is derived exclusively from its size. As wholly distinct from other industries, a bank is not free to select the size of its entry. A steel company may decide to erect a 500,000 ton steel smelting plant in Greeley and attempt to outsell the other local plants on price, quality or service. A banking organization can only apply to the regulatory agencies for

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served. 1960 Laws of Va., c. 62, as amended, 1950 Code of Va. (1966 Repl. Vol.) § 6.1-230. Of the seven commercial banks in Danville, two are conversions from industrial banks. (See *In re First & Merchants Corporation, Richmond, Va.*, 1971 Fed. Res. Bull. 691, 692; *American Bank Directory*, Spring, 1972.)

[10] Includes 16 (*Summary of Accounts and Deposits in All Commercial Banks*, Dallas Region, June 29, 1968, Federal Deposit Insurance Corporation), plus the new bank in Greeley subsidiary to Colorado National (n. 6, *supra*).

[11] McLean County, Illinois; Stearn County, Minnesota and Marathon County, Wisconsin (derived from *Summary of Accounts and Deposits in All Commercial Banks, June 29, 1968*, U.S. Summary, Federal Deposit Insurance Corporation; 1960 Census of Population).

permission to open a single office at which it will solicit deposits. It has no right to pay interest on demand deposits–by law (12 U.S.C. § 371, 48 Stat. 181, as amended). It has a ceiling on the interest it can pay on time deposits–by law (12 CFR § 217.3(a)). Its ability to grow is therefore carefully constrained. Until it has deposits it cannot make loans. For this function, with these limitations, it is irrelevant whether a potential entrant is Bancorporation or any group of individual entrepreneurs. Between 1960 and 1970, 64 new banks were organized in Colorado, only 10 by the large holding companies (App. 1337-1372). Appellant offered no evidence that the performance of those 10 banks exceeded that of the remaining 54. By observation (App. 1337-1370), they did not. Any of the other 54 groups could, if the market seemed worth developing, move to open a new bank in Greeley. Neither the capital (a statutory minimum of $130,000) (12 U.S.C. § 51, 31 Stat. 48, as amended) nor the personnel requirements for this sort of operation would embarrass any potential entrant. This fact is an important basis of distinction from the companion beer case (*United States v. Falstaff Brewing Corp., et al.*, Docket 71-873), where market entry (in size, manner and method) can vary substantially, making the size of a particular potential entrant a very relevant factor. It is supposed, however, that Bancorporation, by virtue of its size, could force growth of its subsidiary faster than any other potential entrant (how we are not told) and therefore since, in Appellant's view, this would be more desirable, Section 7 of the Clayton Act must somehow have been violated. Even assuming a basis for this supposition, since the existence of an alternative to the small borrower is the key

criterion,[12] it is not clear why differing growth rates are relevant.

In any event, we are told, the acquisition of FNB Greeley by so large an organization would tend to entrench FNB Greeley's market share and drive away potential entrants.[13] The fact is that FNB Greeley's market share has been dropping steadily for 20 years. In 1950, it had half the deposits in Greeley. By 1970 this had dropped to 32% (App. 1692). Bancorporation believes that it can stop this consistent erosion of market position: by stiffening a persistently weak management, fighting harder for new business, and changing lending and investment policies (App. 280-286, 315-318, 324, 328, 1492-1532, 1823-1824). Appellees, however, would choose to characterize this market strategy as "competition" rather than "entrenchment." As to the prospect that Bancorporation might frighten off new entrants, we can only point to the experience of our two larger competitors in Colorado (Western and United). In markets where, by acquisition, they have owned banks for five years or more, 24 new banks have organized and have performed well after entry by United or Western via acquisition (App. 1337-1372).

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[12]As this Court noted in *United States v. Philadelphia National Bank*, 374 U.S. 321 360 (1963), larger customers have broader geographic horizons for their bank business.

[13]The "entrenchment" argument was a keystone of the complaint, the briefs, the testimony and arguments of Appellant below (App. 8, 78-79, 120-122, Plaintiff's Pre-Trial Proposed Findings of Fact and Conclusions of Law, 31-33; R. 1335-1336). The argument sank without a trace on this appeal. But even though not now articulated, this contention must be subsumed in justifying any theoretical distinction between a "significant" and a "foothold" acquisition.

It is further contended that, regardless of the effect in Greeley, the acquisition is part of a trend towards concentration in Colorado which is inimical to the very purposes of the Clayton Act and ought be interdicted on that ground alone.

This Court, in *Brown Shoe Co. v. United States*, 370 U.S. 294, 315 (1962), emphasized the importance in a Clayton Act context of blocking significant trends towards concentration.[14] Appellant has contended, at least fifteen[15] times, that banking in Colorado is undergoing just such a trend. Repetition, however, is a poor substitute for evidence. At year-end 1961, just before holding company structure became the vogue in Colorado, there were 162 commercial banking *organizations* in the State. At year-end 1970, there were 198 (App. 1660). At year-end 1961, the five largest banking organizations in the State had 52% of deposits held in State commercial banking offices. At year-end 1970 they had 47.8% (App. 1661). The *evidence* in this case shows an increase in competitive options and a decrease in the share of the large organizations. To say, as does Appellant, that, in Colorado "the trend toward concentration has rapidly accelerated" (JS 14, GB 18) or to speak of "the undisputed trend towards concentration throughout the state" (JS 15; GB 20) is a particularly offensive form of Orwellian "Newspeak." To be blunt, the Department of Justice is misrepresenting the facts to this Court in the

[14] The point was reaffirmed as recently as *Ford-Autolite*, where the Court cited favorably Senator Kefauver's reservations about "basic industries and business of America . . . controlled by a very, very small . . . number of corporations." *Ford Motor Co. v. United States*, 31 L. Ed. 2d 492, 499, n. 5 (1972).

[15] JS 2, 5, 10, 11, 14, 15, 16, 17, 18; GB 18, 20, 27, 28 (twice), 53.

apparent expectation that a monotonous repetition of that misrepresentation may somehow carry the day. A trend *away* from concentration cannot be transformed into its converse simply because Appellant would have it so.

The notion that Bancorporation is a potential *de novo* entrant is, in any event, spun out of sheerest gossamer. The executive officers of Bancorporation, at trial and on deposition, testified flatly that they would not consider *de novo* entry into Greeley (App. 277, 1824). In contradistinction to *El Paso* [16] or *Procter & Gamble* [17] or *Penn-Olin*, [18] there were no conflicting arguments in the files of Bancorporation–as to which Appellant made extensive discovery. The "objective" evidence supports this conclusion. Of all Colorado counties with population of 50,000 or more, Weld has–by far–the *lowest* population per banking office ratio. Of all Colorado communities of 20,000 or more, Greeley has the *lowest* population per banking office ratio. [19] All this was *before*

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[16] *United States v. El Paso Natural Gas Co.*, 376 U.S. 651, 654 (1964).

[17] *Federal Trade Commission v. Procter & Gamble Co.*, 386 U.S. 568, 580-581 (1967).

[18] *United States v. Penn-Olin Chemical Co.*, 378 U.S. 158, 165-167, 172, n. 5 (1964).

[19] Appellant contends that, although Weld County and Greeley have a very low office/population ratios for *Colorado*, Greeley, at least, is nonetheless reasonably proximate to *national* averages (GB 14, n. 18). Appellant argues from this that Greeley and Weld County are attractive markets for a holding company to enter *de novo*. We have demonstrated that they are the *least* attractive of the alternatives available to a Colorado holding company. Of what relevance to this purpose is a comparison to alternatives beyond the reach of Bancorporation?

the new Colorado National subsidiary was organized (App. 1693-1694). There are 13 communities in Colorado with populations of 25,000 or more. Bancorporation has no office in 11 of them. Of these 13, *Greeley* had the lowest absolute increase in population in the years 1950-1970 (App. 1376). If Greeley is now attractive as a situs for a *de novo* bank, it can only be far down the line of priorities among the alternatives which are available to Bancorporation throughout the State. After evaluation of these evidentiary predicates, the district court found:

> On the question whether the merger eliminates a potential entrant, we must conclude that it does not. (329 F. Supp. at 1015).

And earlier it had said:

> A "geographic market extension" merger can, of course, have the *future* effect of eliminating one who would have entered the market independently but for the merger, thereby adding to the number of competitors in the future, but there must be at least some evidence to support a prophecy that such an entrance will occur.[20] (emphasis supplied).

Appellant contends that a "foothold" entry, by acquiring a smaller bank in the market, would have been competitively preferable—apparently as an offshoot to its "entrenchment" theory that because of Bancorporation's size it could increase the market share of the "foothold" bank and thereby help to create a more egalitarian banking structure in the community.[21] A correlation between egalitarianism and competitive vigor is assumed.

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[20] 329 F. Supp. at 1011.

[21] See n. 13, *supra.*

In any case, the only bank in Greeley other than FNB Greeley not already a member of a holding company at the time of trial, State Bank of Greeley[22], has since applied to become a member of Central Colorado Bancorporation, Inc. There is no "foothold" bank by which Bancorporation could enter the Greeley banking scene.[23] The hazards of basing a reasonable probability of substantial lessening of competition upon predictions of what banking markets in Colorado may need in the distant future and who can fill these needs is nowhere

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[22] Testimony at trial showed that Bancorporation was not interested in acquiring State Bank and that State Bank was not interested in selling on any terms which would permit Bancorporation to assume active management of the Greeley operation (App. 277, 298).

[23] There is a small bank in each of the towns of Eaton and LaSalle, respectively 8 miles north and 5 miles south of Greeley, but in light of this Court's conclusions regarding the essentially local nature of most banking needs (*United States v. Philadelphia National Bank*, 374 U.S. 321, 358, n. 35, 369 (1963), *United States v. Phillipsburg National Bank and Trust Co.*, 399 U.S. 350, 361-362 (1970)), it could hardly be claimed that a Greeley customer could reasonably be served from one of these very small, out-of-the-way, farm towns. In any case, *no* evidence was offered at the trial to show that either would be a convenient alternative. There is language in Appellant's brief from which, if you slide by too fast, one might infer that Appellant is claiming that such evidence was offered: "the court did not discuss, however, the other two 'foothold' possibilities in the larger Greeley Area with respect to which the government had introduced evidence (see, *e.g.*, PX 73-83, App. 1097-1107)." (GB at 15). A careless reader might believe that Appellant was claiming that evidence had been offered about two banks which might be considered, from that evidence, as alternate entries into Greeley banking. Actually, all Appellant says, and all the transcript citations support, is that in those documents Appellant discussed "the larger Greeley Area"– the two banks were never discussed.

more clearly highlighted than here. Even *before* Appellant had solemnly assured this Court that Central Colorado Bancorporation could not be considered "capable of competitively significant entry [into Greeley]" (GB 11), Central Colorado had announced its intended entry.[24]

However, we are told that even probability of entry need not be relevant. The Appellant argues that Bancorporation ought not be permitted to acquire FNB Greeley because, on the "edge" of that market, Bancorporation exerts a beneficial effect upon the competitive conduct of the banks doing business in that market. Principal executive officers of each of those banks were called to testify whether a prospect of entry into Greeley by Bancorporation had affected their competitive conduct *in any way*. They all replied, simply, no (App. 301, 303. 305). But Appellant tells us that we must disregard the sworn testimony of the allegedly affected bankers, since their subjective conclusions as to their subjective reactions are not as reliable as Appellant's unsupported assertion that it knows better than they (JS at 23, n. 28). The contention is both absurd and offensive. Yet it is characteristic of Appellant's entire case. A proposition, at war with the factual record, is advanced as revealed truth. It is not proven; it is proclaimed. Appellant would reduce anti-trust bank merger litigation to a religious spectacle in which the devil is exorcised ritually by the anointed of the Lord. Evidence is a form of blasphemy.

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[24] *Denver Post*, March 26, 1972.

II.

VERTICAL CASE

Eight months after this action was filed, Appellant amended its initial complaint to charge that this proposed affiliation would, in reasonable probability, substantially lessen competition for "correspondent bank services" (a) by eliminating Bancorporation as a supplier of correspondent services to the competitors of FNB Greeley (on the thesis that they would be unwilling to do business with a competitor) and (b) by eliminating FNB Greeley as a customer of competitors of Bancorporation (on the theory that Bancorporation would not allow its subsidiary to buy correspondent services from a competitor of itself). Banks perform many services for themselves or for their customers; "correspondent bank services" are those same services when performed for customers who are also banks.

Both the Federal Reserve Board and Appellees herein pointed out [25] that an argument forbidding an acquisition because other banks in that market would be disinclined thereafter to do business with a competitor and would consequently have fewer offerors of services to choose from would bar *any* entry into that market by *any* offeror of correspondent services such as Bancorporation –whether by acquisition (large or small) or by *de novo* charter. The incongruity of protecting the sensibilities of competitors at the expense of any entry by the big Denver Banks (which Appellant is compelled by the dialectic of its major arguments to contend are the only likely entrants) finally penetrated and the argument was abandoned just before trial.

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[25] *In re The First National Bancorporation* (The Exchange National Bank of Colorado Springs), 1971 Fed. Res. Bull. 345, 348; Appellees' Trial Brief, 60.

Appellant continues, however, to press the second point of its "correspondent" argument. Using gross demand deposit balances of selected commercial banks held in other selected commercial banks as a proxy (*i.e.*, a measure or approximation) of "correspondent bank services," Appellant has calculated that the effect of this affiliation will be to eliminate 1.2% of relevant "correspondent bank services" recipients. This, together with 12.0% of relevant recipients already allegedly "foreclosed" by acquisitions of other offerors of such services (GB 58-59), Appellant contends, would constitute a substantial lessening of competitive vigor.

In order to arrive at these numbers, Appellant limited recipients of correspondent services to Colorado banks and offerors of correspondent services to six enumerated Denver banks. [26] Other offerors of correspondent services were excluded, either because they were not located in Denver, or because they did not offer a "full package of correspondent services." Other recipients of correspondent services from the six enumerated banks were excluded because they were not physically situate in Colorado and therefore were not "full package" recipients.

Appellant's universe, his proxy, and his geographic and product market are all so hopelessly gerrymandered to maximize percentages as to render them worthless as a measure of affected commerce.

Initially, use of gross demand deposits substantially distorts the universe. When a bank clears checks for another, it gives the bank credit for all items at the time

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[26] FNB Denver, United Bank of Denver, Colorado National Bank, Central Bank and Trust Co., American National Bank and Security National Bank.

those items are balanced. Particularly for out of town items, however, it can be several days before payment is actually received. The difference between the time credited and the time payment is received is called "float." A substantial portion (70% in the case of the FNB Greeley account with FNB Denver (App. 364-365)) of the demand balance kept with the bank which clears its checks is designed to cover average "float." It is only *net* balances which are available for use by the correspondent.[27] The other 10 banks in which FNB Greeley kept correspondent balances had no "float" and the total deposit was a net balance. Thus, "correspondent balances" of FNB Greeley at FNB Denver are overstated on the order of 4 to 1 by using gross demand balances.

Second, Appellant excludes from his universe the largest single offeror of correspondent services (particularly check clearing) in Denver—the Federal Reserve Bank. The justification advanced is that the Federal Reserve does not offer a "full package" of services. But then, very few commercial banks buy "full packages" of services. Including the Federal Reserve, FNB Greeley maintained balances on August 31, 1970 in 12 banks (App. 884). The *average* number of *listed* correspondents (and not all are listed (App. 502)) for a Colorado bank was 5.5 (App. 1336, 1396).

Third, most correspondent services are paid for in a manner wholly unrelated to deposit balances (*e.g.*, purchase and sale of federal funds, overline loans, purchase and sale of bonds, pension and profit sharing plan sales, credit card sales, data processing (App. 356-361)).

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[27]See App. 262-265.

Fourth, to the extent that net correspondent balances are a proxy for some correspondent services, there is no valid reason for excluding those banks, whether headquartered in Colorado or in other states, which are successfully competing with Appellant's six "chosen" banks in supplying services to other banks.

Fifth, about forty percent of gross correspondent balances (and probably a significantly higher proportion of net balances) of Appellant's "chosen" six are held from banks outside Colorado which are regularly serviced by the "six" (App. 1301). Because these banks are clearly alternative purchasers of the services involved and part of the market in which the sellers operate,[28] there is no valid reason why they ought be excluded from the universe.

Sixth, Appellant's contention that FNB Greeley would be "foreclosed" as a recipient of correspondent services by reason of the proposed affiliation and that subsidiaries of other holding companies having subsidiaries among the "Denver Six" are already foreclosed is contradicted by the record herein. FNB Denver is *now* a primary correspondent of some of the banks Appellant claims are already foreclosed by virtue of ownership of other holding companies (App. 346-350). Appellant offered *no* evidence to show that FNB Greeley would be foreclosed by reason of the affiliation. Appellant simply ignored the facts regarding allegedly presently foreclosed banks and *assumed* that FNB Greeley would be.

Seventh, the number of potential recipients of correspondent bank services, even limiting our inquiry to Colorado, has risen significantly in the last 10 years (App.

[28] *United States v. Philadelphia National Bank*, 374 U.S. 321, 359 (1963).

435-436, 1660, 1661). Their deposit base has more than doubled (*ibid.*). The number of offerors of correspondent services rose from 5 to 6 (App. 210-211) and one of Appellant's witnesses testified that they would shortly increase that total to 7 (App. 163).

Finally, correspondent earnings are so small a portion of the business of a commercial bank that FNB Denver carries no separate item on its balance sheet to cover "correspondent banking"; it has 15 employees (out of 1,432) spending *part* of their time on correspondent banking business (App. 353); and the $2,500 net after-tax earnings of the FNB Greeley correspondent account in 1970 amounted to less than five one-hundredths of one percent of Bancorporation's net (App.1804). The entire subject is *de minimus*.

Thus, baldly stated, *Appellant's case comes down to this:* there is *no evidence* that Bancorporation intends to enter Greeley absent this affiliation nor that the market is in any way underbanked. There is *no evidence* that the state is unduly concentrated or trending that way. *No traditional violation* of Section 7 of the Clayton Act could be seriously advanced on the facts of this case. However, if the Court will permit Appellant to use the antitrust laws as the vehicle, *it will impose upon the banking industry a rule that no relatively large bank in a state can acquire a local bank with any appreciable share of that local market.* This will force the larger banks to seek alternative methods of expansion, severely check their growth and, over time, in a number of the markets affected, increase the number of entrants into those markets. While Appellant cannot demonstrate those effects with reasonable probability in particular markets, it reasons that these effects will logically follow upon the

adoption of such a policy. Such effects, Appellant contends, serve a valid competitive purpose. Regardless of how well served a market may be relative to its peers, "one more" is better, and thus the preservation of a particular prospective "one more" is a legitimate extension of Clayton Act doctrine.

We do not agree that competition would be a net beneficiary of the adoption of such a policy. Such a check upon the development of statewide systems would, in our judgment, impede the establishment of the vigorous competitive structures which are found in states where large branching or holding company systems have developed through affiliation of local banks with the major organizations in the principal cities of the state. The policy would, in all probability, reduce—not increase—the number of entrants per market. (See discussion, pp. 74-77, *infra*.) But we do not press either prognostication. Appellant seeks to use the Clayton Act as a vehicle for the structuring of banking upon a model which it believes will redound to the public interest. Appellant would succeed to that power over the structure of banking which is now, concededly, within the congressionally mandated province of the bank regulatory agencies.[29]

[29] The public interest standards of the bank regulatory statutes give the supervisory agencies very broad powers to structure banking along lines which encompass the branching, chartering, merger and general supervisory powers of those agencies. The agencies have indicated their willingness on many occasions, to utilize their powers and combinations of them to shape a particular market along desired lines without regard to the legal bounds of the antitrust laws. See, *e.g.*, *National Bank of Westchester, et al.*, Disapproval of Application to Merge, *1963 Annual Report of the Comptroller of the Currency*, where, after noting that:

> the effect of this merger would not be to substantially lessen competition or tend to create a monopoly or unreasonably restrain trade. . . . (at 145)

the proposed merger was nonetheless denied:

Appellant's instrument to this end is a statute designed to interdict reasonably probable substantial anticompetitive effects in particular markets. If the proposal neither fits the purpose of the statute nor the congressional divisions of responsibility—well then, make it fit. Appellant claims justification in asking this Court to legislate judicially because its motives are pure. It notes "[t]he ultimate

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> It is our view that these substantial benefits will more desirably be made available in Westchester County through the establishment of de novo branches. We believe that large scale entry by this merger would cause an unreasonable distortion and dislocation in the present and future banking structure of Westchester County not consistent with the public interest. . . . (at 141).

See also *First Bank Stock Corporation*, Order Denying Application, 1960 *Fed. Res. Bull.* 486, where acquisition of a proposed new bank chartered as an affiliate of a holding company was denied by the Federal Reserve Board:

> On the basis of all the facts, the Board must conclude that the proposed acquisition would . . . have potentially adverse effects upon banking competition in the future. To this extent, the acquisition would not be consistent with preservation of competition in the field of banking. The Board rejects Applicant's suggestion that only such a lessening of competition as would violate Section 7 of the Clayton Act may be regarded as an adverse consideration under the Holding Company Act . . . [I]n the Board's opinion, in reaching a decision, any significant lessening of competition, even though it may not be such as to violate the Clayton Act, is to be weighed as an adverse consideration. . . . (at 493)

The Federal Deposit Insurance Corporation, in a brief addressed to a U.S. District Court in a pending case, states flatly that "under the Bank Merger Act the FDIC has the authority and responsibility to disapprove certain proposed mergers which would not currently rise to the level of Sherman Act or Clayton Act violations." (Defendant's Opening Memorandum in Support of Motion for Judgment on the Record, at 2, *Washington Mutual Savings Bank et al. v. Federal Deposit Insurance Corporation*, No. 45-71C3, W.D. Wash.).

effect that [bank] expansion will have on the competitiveness of the banking business in this country will depend largely on the method by which banking organizations are *permitted* to expand" (GB, 17) (emphasis supplied). But there speaks the regulator, not the prosecutor. As to Bancorporation, Appellant would bar 4 of 6 proposed affiliations. The Federal Reserve Board only foreclosed two. Since the Board's orders can only be appealed if not supported by substantial evidence, they are, as a practical matter, final. Appellant urges (via an effectively *per se* rule) transfer of that same power to itself in those cases which pass the agencies' scrutiny. That, in our judgment, is a legislative perogative upon which this Court ought not trench. The issue is not whether Appellant's scheme would effect its end—diffusion of market structures—but whether the Congress contemplated the use of the Clayton Act as a tool for the reshaping of an industry along lines which the Department of Justice—and not the regulatory agencies—deems desirable regardless of the merits of the particular proposal under consideration.

ARGUMENT

I.

THEORETICAL UNDERPINNINGS OF A PUBLIC POLICY TO PROTECT COMPETITION

At the core of our social order is the concept that decision-making is effective in direct proportion to its proximity to the affected event. Businesses merge because their managers and owners believe there is more profit in operating together than separately. It is the special genius of the capitalistic structure that such judgments are not lightly to be negatived by the central

government.[30] Ideally, profits are the reward of superior efficiency, and the efficient utilization of resources is a root function of any society of men.

But when, through collusion of entrepreneurs or the gathering of the bulk of an industry into one hand, the profits of that industry are extracted from a people without recourse, by businessmen removed from the goad of competition, the ultimate goals of reasonable price and superior product are primary casualties. The antitrust laws are the tool whereby the social purpose of a capitalistic structure is protected from injury by its instrument of incentive–profits. The judicial function in an antitrust case is the balancing of the social end–efficient utilization of resources–and the utility of the means–a competitive business structure.

Section 7 of the Clayton Act is concerned with the structure of an industry, and how a reordering of the enterprises engaged in that industry may close off the ordinary pressures of the marketplace toward high quality at moderate price. The affiliation of independent market factors might not be tolerated if, in reasonable probability, it would have that effect in any substantial context.

Traditionally, it may be concluded that in reasonable probability a merger will substantially lessen competition

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[30]Appellant's brief reflects a clear conflict with this basic concept. Rather than interdicting mergers only when they transgress statutory standards and otherwise remaining aloof, Appellant adopts an activist, regulatory stand. "Section 7 reflects the fundamental concept of insuring that the profit motivation in our free enterprise system *is directed into* procompetitive channels." (GB 31) (emphasis supplied).

if it joins two companies having a combined significant share of the defined product market in a defined significant geographic market. When the affiliating institutions are not in the same geographic or product market, the affiliation may nevertheless be condemned if it brings into being conditions which themselves would, in reasonable probability, constitute a substantial lessening of competition in a significant geographic or product market served by either. The various conditions which might be hypothesized as bringing about such a substantial lessening in various contexts include "*over*-concentration"; elimination of an important present competitive stimulus on the participants in a specific market by the removal of a *potential* entry into that market; and the *triggering* of other anticompetitive affiliations.

We believe that none of thse standards will be transgressed by this proposed affiliation. After setting out Appellant's general hypotheses on potential competition and disposing of any spectre of actual competition, each will be treated in turn.

II.

POTENTIAL COMPETITION

Appellant's thesis is that Greeley is so highly concentrated that a substantial lessening of competition can be predicated on the removal of Bancorporation from the pool of entrepreneurs who might someday be moved to apply for a *de novo* office in the town. Bancorporation is clothed with a relatively unique posture by the hypothesis that other possible entrants have not our resources and are, therefore, not an hypothesized "substantial" potential entrant. In the alternative, it is suggested that our mere presence "in the wings" has had such a

beneficent impact upon the business practices and competitive vigor of the banking community in Greeley that our movement onto center stage would so dampen this competitive élan that it would constitute a substantial lessening of competition, without more.

One would expect an Herculean order of proof on Appellant's part to demonstrate the truth of these interwoven propositions, but, like a Potemkin village, the form *is* the substance and Appellant's proof is a repetition of his assertions. The degree of attenuation to which trial counsel for the Government was forced in order to match his proof to a semblance of Clayton Act standards is demonstrated by the following quotations from the trial record: "We are rejecting this notion of probability in terms of imminence or time frames, foreseeable future, this or that." (R. 1314). "That's the reason Section 7 was passed, Your Honor; was to stop this trend towards conditions which might lead to these abuses." (R. 1321).

A. Bancorporation Has No "Presence" in Greeley

Appellant concedes that "[n]one of Bancorporation's subsidiaries competes directly with Greeley area banks for local business" (GB 11), but offered three proofs[31] that Bancorporation is, to some extent, "a presence" in Greeley and is, therefore, likely to become more so if this affiliation is forestalled.

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[31]Appellant also contends in its brief that FNB Denver "had solicited trust business in [Greeley]" (GB 40) and cites as its authority for that proposition an earlier page in its brief. The only *record* reference to solicitation of trust business in Greeley was a flat denial by the chief trust officer of FNB Denver (App. 323).

(i) *Mortgage Servicing Office*

Certain large Eastern lenders solicit real estate mortgage business throughout the United States. Since they are usually not on the scene themselves, they ordinarily use mortgage service companies to obtain and service the loans in each locality. Some years ago, FNB Denver bought certain assets of such a servicing company in Colorado. It had and has an office in Greeley (App. 282, 1562). Whether this servicing is done by Bancorporation or by someone else, it is the business of the Eastern lenders. These Eastern lenders compete with other offerors of mortgage loans in Weld County. Bancorporation does not. (See App. 282, 425). Neither Bancorporation nor any of its subsidiaries solicit or retain Greeley area mortgages for their own portfolios.

(ii) *Solicitation of Greeley Merchants*

As evidence that Bancorporation competes in Weld County, Appellant introduced a cropped version of one of Appellees' answers to Appellant's interrogatories, (PX 38, R. 223). The cropped version implied that Bancorporation solicited the custom of certain Greeley merchants. Trial Counsel summed up the importance he attributed to this "fact" as follows: "And in addition to that it's not only a matter of soliciting and servicing big accounts, but our evidence shows that in addition some loan officers even solicit certain merchants up there. So, their existence in the Greeley area simply is a fact." (R. 1307). In fact, however, the entire interrogatory answer would have made it clear that the Greeley merchants visited by FNB Denver personnel were branch offices of large organizations whose Master Charge business had been solicited and won at *Denver*. The visits in question were

housekeeping calls in connection with that business. There was, in fact, no solicitation of Greeley merchants. (See App. 99-100).

(iii) *Weld County Borrowers from FNB Denver*

FNB Greeley has no substantial deposit or loan business in Denver and FNB Denver has no substantial deposit business in Weld County. This was conceded by Appellant's witness, Dr. Walsh (App. 65, 101). It is suggested, however, that FNB Denver's loans in Weld County ($7,129,000, App. 1057) constituted such a substantial "presence" in the market as to put FNB Denver "on the edge of the market." $6.5 million of this $7.1 million (App. 1057Ø1058) was held in 13 overline and direct loans. By definition, an overline cannot evidence competition since it occurs only when the lending limit of the local bank has been exhausted. (See App. 101.) Similarly, the direct loans represented borrowing far beyond the capacity of the local banks to handle.[32] FNB Denver and FNB Greeley are 52 miles apart. There is no way in our lifetimes that these distances can be conveniently ignored. Banks that far apart cannot be meaningful competitors for the ordinary customer. Nor is there any evidence that they are competing for the big customer–a market FNB Greeley is not large enough to enter (App. 100-101, 417-418).

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[32]Compare the Board's approval of the affiliation: "Of Applicant's subsidiary banks, only its largest subsidiary draws any meaningful amount of business from Greeley or Weld County, and such business, which traces in the main to a few large customers with credit needs which could not be met by Greeley banks, does not appear indicative of substantial competition with [FNB Greeley]." (App. 1717).

But if the banks do not compete, if the mortgage service operation signifies a non-competitive "presence" and if the direct merchant competition is but a product of scissors and paste pot, when then of Bancorporation's presence "on the edge of the Weld County market"?[33]

B. Over-Concentration

(i) *What Is "Concentration"?*

To the extent that it contains fewer than an infinite number of entrants, every industry has a concentration ratio. That concentration ratio becomes relevant in an antitrust context when it becomes excessive. The problem is, of course, the standard of excess to be utilized. As an industry, banking is not concentrated, nor is it trending that way. There were 13,431 commercial banks in the United States in 1961; there were 13,686 at the end of 1970 (App. 1620).[34] The share of deposits held by the 10 and 100 largest banks in 1940 was 27% and 57% respectively. At the end of 1969, comparable shares were 25% and 51%, respectively (App. 385). In summing up its analysis of the market changes in banking the Federal Deposit Insurance Corporation in its 1960 *Annual Report* was constrained to remark:

> However defined, the banking 'giants' competing on a nationwide basis appear to be sufficiently numerous to maintain active competition among

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[33]The district court found, "[t]he evidence does not disclose that there is competition at the present time between The First National Bank of Denver and The First National Bank of Greeley." (329 F. Supp. at 1007).

[34]13,759 at year-end 1971 (*Changes Among Operating Banks and Branches - 1971*, Federal Deposit Insurance Corporation).

> themselves. Banking is perhaps the only industry in which attempts to demonstrate a decline in competition invoke the size of the 100 largest–or 50 or 25 or 10 largest–units in the industry in the nation. In any other industry–say automobile, steel or electronics–this many 'giants' would be taken as prima facie evidence of a high degree of competition. (at 60).

This is not to say, of course, that segments of the industry cannot go *contra* the national trend. Thus, in *Philadelphia Bank,* 374 U.S. 321, 331 (1963), this Court found a reduction–from 108 to 42–in the number of banks in the area there relevant and an increase in market share of the seven largest banks from 61% to 90% in the period 1947-1960 to be a critical element in its conclusion of violation.

This Court, from its first decision on the 1950 Amendment to the Clayton Act, has expressed the view that stopping trends towards high orders of concentration is a primary goal of the Clayton Act:

> The *dominant theme* pervading congressional consideration of the 1950 amendments was a fear of what was considered to be a *rising tide of economic concentration in the American economy.*[35] (emphasis supplied).

This observation is supported by the legislative history:

> Measured by practically any method and compared to practically any standard, the level of economic concentration in the American economy is high . . .
>
> Moreover, the long term trend of concentration has been steadily upward . . .

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[35] *Brown Shoe Co. v. United States,* 370 U.S. 294, 315 (1962).

> Such in general outline is the broad economic problem of high and increasing concentration with which this legislation is concerned.[36]
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> * * * *
>
> While there exist many differences of opinion on other aspects of the monopoly problem, there is substantial agreement that the level of economic concentration is extremely high.[37]

Senator Kefauver, one of the authors of the Amendments to the Clayton Act spoke movingly to the question of the statutory purpose of avoiding the concentration of an industry in too few hands:

> Charts and statistics will show that every year there is more and more concentration, with more and more corporations purchasing out their competitors, so that unless this trend is halted we are going to come to a place where the basic industries and business of America are controlled by a very, very small group of a small number of corporations.[38]

But this concern of both the Legislative and Judicial branches is with *trends* towards concentration, movement of an industry from one structural form to another. Implicit in that concern is the unstated premise that the companies being acquired were and would likely have remained viable absent their acquisition.

In attacking this acquisition, however, Appellant is constrained to apply a totally different construction to

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[36]H.R. Rep. No. 1991, 81st Cong., 1st Sess. 6-7 (1949).

[37]S. Rep. No. 1775, 81st Cong., 2nd Sess. 23 (1950).

[38]Hearings on H.R. 988, Subcommittee No. 3, House Judiciary Committee, 81st Cong., 1st Sess., May 18, 1949, Serial No. 10, at 12.

the word "concentration." We are told that Greeley is *in a state of* concentration. The proposed acquisition would neither initiate nor continue a trend towards concentration in Greeley. There are 2 *more* organizations now serving Greeley than there were 10 years ago.[39] Similarly, in Colorado, there are 36 *more* organizations than there were 10 years ago (p. 3 *supra*). It is the *present* structure of the market which is felt to be so substantially anticompetitive that an acquisition which no more than lessens (*arguendo*) the prospects of increase in the number of competitors must be struck down as, derivatively, substantially anticompetitive. Appellant's expert witness Hall testified that all Standard Metropolitan Statistical Areas are highly concentrated banking markets (App. 273). Appellant's expert witness Walsh concluded that any market–regardless of size–where the 5 largest entrants have 50% or more of the business is "highly concentrated" (App. 52, 78, 89). From that conclusion, Appellant infers a violation of the standards of the Clayton Act in this affiliation.

But Greeley is served by 5 banking organizations. As indicated earlier, only one city in Greeley's size category in the entire United States is served by more. Are we to conclude that banking in all cities, wherever situate, whatever the banking laws, and through whatever means the structure developed is substantially anticompetitive in structure? Appellant concedes that "local banking markets can support only a limited number of banks" (JS 17, GB 23). Does that natural structure compel a conclusion that such a market is inherently substantially anticompetitive? Was this Congress' intent in condemning "high and rising concentration"?

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[39] See n. 6, *supra*.

We believe that Congress used the word "concentration" in a pejorative sense, as something undesirable and which ought be corrected. Thus, while the Congress could well believe that some economies of scale–say the last 5 or 10% in production or distribution costs–could be sacrificed in order to shore up a market so poorly served that anticompetitive conduct by those occupying the market is likely and could be expected to swallow up those lesser economies and more, a suggestion that major economies ought be surrendered in order to protect a conceptualized ideal competitive environment[40] is to sacrifice ends to means, and this Congress surely did not intend. The *end* is superior product at low price. You must first assure that your structure permits a superior product and market efficiencies which effect significant cost savings. Then you look to a structure which supports the movement of these savings to the consumer.[41]

Thus, it is generally accepted economic theory that markets with significantly fewer competitors than are associated with the major economies of scale tend to be less responsive to the social needs for high quality and service at low prices than are markets where the number

[40]We do not suggest that the number of banking organizations serving Greeley or Colorado or the country as a whole is inadequate to effect a vigorous level of competition, but rather we contend that Appellant's unspoken thesis, "one more would be better," is not an open-ended social desideratum.

[41]In certain industries, market scale economies are so overwhelming that only one producer can be justified. These are so-called public utilities as to which rate regulation is essential to protect the consumer. Banking does not sit at this extreme–yet it is highly regulated. Clearly some compromise is achievable between the extremes of unregulated industry and the public utility. The balance struck in banking for cities of Greeley's size suggests that competition in this community is relatively very well served.

of entrants more closely approximates that theoretical desideratum. That theory holds that the farther from the desired norm, the less socially desirable is the conduct of the market participants. It is, of course, equally true that more competitors—even beyond the major efficiencies of scale—might try harder to conform to social needs than do the lesser number associated with such major economies. But we are postulating that the larger social end—an effective market structure—requires the latter number.

We conclude, therefore, that in its ordinary, or pejorative context, the word "concentrated" as applied to the structure of an industry must be taken to mean that the market in question has been preempted by fewer competitive entrants than could reasonably be accommodated within a given geographic market by the larger economies of scale appropriate to that industry. Thus, two competing gasoline stations in a community of 1,500 might be characteristic of a highly unconcentrated market while ten competing gas stations in a community of 150,000 could be characterized as "highly concentrated." It follows then that, in an industry-wide context, if the major economies of scale can be accommodated by only seven or eight suppliers, it would be improper to speak of the industry as "concentrated" because five of these have the dominant share of productive capacity.

For example, The Honorable George D. Romney, now Secretary of The Department of Housing and Urban Development, testified before a Congressional Committee inquiring into concentration in the automobile industry, while he was Chief Executive Officer of American Motors, that most of the economies of scale in auto assembly could be achieved in a two-line assembly

operation producing about 200,000 cars per year.[42] He testified that there could be further economies in a two-shift operation which would turn out about 400,000 cars, but that the single shift, 200,000 car producer would be a profitable and effective competitor. Addressing ourselves to auto production, we could well conclude that an ideal industry structure would be one where all producers approached the 200,000 unit annual manufacture. A reasonable argument could be made that a near doubling of the number of entrants might well justify the sacrifice of the minor economies of scale Mr. Romney saw in a two-shift, 400,000 car operation. But if the market could absorb only 1.2 million cars, it seems to us that that market would not be "highly concentrated" with 4 manufacturers, rather we think it approaches an ideal market situation in the public interest. On the other hand, assuming a market which can absorb 10 million cars a year, 4 manufacturers would appear highly restrictive and to comprehend a "highly concentrated" industry. No one, we submit, would urge that our country should structure its industries to deny to the consuming public at least the larger savings in cost which can be associated with size. Rather, we believe that the Congress' absorption with "high concentration" in its amendments to the Clayton Act was directed toward concentration which it felt significantly exeeded that associated with major efficiencies. (Note Mr. Justice Stewart's observation in dissent, *United States v. Von's Grocery Co.*, 384 U.S. 270, 288 (1966), that the level of concentration obtaining in grocery distribution must be

[42]Statement of George D. Romney on February 7, 1959, in Hearing (Administered Prices) before the Subcommittee on Antitrust and Monopoly of the Committee on the Judiciary, U.S. Senate, 85th Cong., 2nd Sess., pt. 1, at 2842, 2851.

tested against the market reality that a single supermarket–through affiliation with a co-operative–could secure all of the larger economies of scale available to a chain.)

In an attempt to make an objective evaluation of whether Greeley's five banking competitors are too few, too many or just right, Appellees examined all cities which are not suburbs of larger metropolitan areas[43] which had 1970 populations between 30,000 and 50,000. As of January 1, 1970, there were 126 such cities. Their banking alternatives were as follows:

Number of Commercial Banking Organizations	Number of Cities
0	0
1	1
2	20
3	60
4	33
5	11
7	1

(App. 1686, modified to reflect the new Colorado National subsidiary in Greeley. See n. 6, *supra*).

Ninety-one percent of the independent cities in the United States of a comparable size to Greeley are served by fewer banking organizations. Ninety-nine percent are

[43]This would exclude only those communities which the Bureau of the Budget has defined as being within a Standard Metropolitan Statistical Area. They are excluded because such communities are usually not economically independent of the larger community within whose metropolitan area they are situate. Relevant comparisons are to Greeley and "free standing cities" in its size range.

served by no more. Only one city in the whole United States is served by more.[44] The only way in which we can conclude that Greeley is over-concentrated is to assume that banking is over-concentrated in *all* moderate-sized cities through the country. Plaintiff has the affirmative of this proposition. We note, however, that in 1966 the Congress immunized all bank mergers which had taken place prior to that year, largely freezing the level of concentration then obtaining.[45] This was accomplished without any dissent in a bill otherwise bitterly disputed. (See, *e.g.*, S. Rep. No. 299, 89th Cong., 1st Sess. 3, 7 (1965); H.R.Rep. No. 1179, 89th Cong., 1st Sess. 3, 5 (1965)). Whatever the justification for this special legislation, it is hardly compatible with a medium-sized city spectrum which is entirely over-concentrated. Congress' determination to fix extant levels of concentration is some evidence that said levels were not inconsistent with Congressional competitive goals. Moreover, five banking alternatives in one small city are not to be compared with four national manufactureres of sodium chlorate. Five banking alternatives in a small city show a highly *un*concentrated market.

Rather than assuming that all banking markets similar to Greeley are "highly concentrated," we submit that the more responsible presumption is that the norms for those 126 markets probably closely approximate the natural size patterns appropriate to the needs of the industry.[46] The proposition that local banking markets can support

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[44] Danville, Virginia, with 7 banks. (See n. 9 *supra.*)

[45] The Bank Merger Act of 1966, 12 U.S.C. 1828(c), 80 Stat. 7.

[46] A prosecutor would, of course, be free to show that such a presumption was without foundation in a particular context or industry. Appellant made no such effort in the case at bar.

only a limited number of banks (in which Appellant concurs (JS 17, GB 23)), means only that a limited number of banks is consistent with the larger economies of scale attendant upon the banking industry. Yet, it seems to us that a significantly smaller number of participants than the market can support must be an essential postulate to an hypothesis that lack of a particular potential entrant is a significantly anticompetitive event. If a market is appropriately served by the number of participants it presently has, the presence or absence of any number of "potential entrants" cannot be a significant competitive event. The word "concentration," as used in the debates on the 1950 Amendment to Clayton 7, is consistent only with a congressional premise that the industries under consideration contained substantially fewer companies than was consistent with their natural structure (see 95 Cong. Rec. 11484-11507, 81st Cong., 1st Sess. (1949)),[47] and not with any

[47]Compare industries previously examined by the Courts:

Sodium Chlorate–four manufacturers in the whole country (*United States v. Penn-Olin Chemical Co.*, 378 U.S. 158 (1964), modified on remand, 246 F. Supp. 917, aff'd by an equally divided Court, 389 U.S. 308 (1967).

Aluminum Meat Pans–the acquired company had a national monopoly (*Ecko Products v. Federal Trade Commission*, 347 F.2d 745 (7th Cir. 1965)).

Cans and Glass–Second largest can manufacturer acquired third largest glass manufacturer. Both industries qualified as highly concentrated (*United States v. Continental Can Co.*, 378 U.S. 441 (1964)).

Beer–Ten largest brewers in the U.S. had increased their market shares from 40% in 1953 to 57% in 1963, while the market share of the twenty-five largest increased from 40.3% in 1946 to 82.2% in 1963; number of brewing companies had dropped from 307 in 1952 to 144 in 1964 (*United States v. Jos. Schlitz Brewing Co.*, 253 F. Supp. 129 (N.D. Calif. 1966) aff'd *per curiam*, 385 U.S. 37 (1966)), and to 79 in 1970, "in spite of the fact that beer sales have increased 38%

suggestion that the public interest in a quality product at a reasonable price was to be sacrificed on the altar of pure numerology in industry structures.

It would seem then that in order to prevail in a potential competition context,[48] the Department of Justice must initially demonstrate that the structure of the market is one which ought, consonant with the economies of scale of that industry, carry a larger number of entrants than are presently obtaining or as to which the short range needs of the market can reasonably be expected to require.

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in the . . . ten-year period [1960-1970]" (*United States v. G. Heileman Brewing Co., Inc.*, ___F. Supp.___ (E.D. Mich., June 20, 1972).

Liquid Bleach–Acquired company has over one-half of U.S. sales and acquiring company has over one-half U.S. sales in larger, related product line (*Federal Trade Commission v. Procter & Gamble Co.*, 386 U.S. 568 (1967)).

Steel Wool Pads–Effectively only two manufacturers in the U.S. (*General Foods Corp. v. Federal Trade Commission*, 386 F.2d 936 (3 Cir. 1967)).

Potash–only 10 producers in North America; acquired company was the largest (*United States v. Standard Oil Co.* (N.J.), 253 F. Supp. 196 (D.N.J. 1966)).

Metal Rolling Mills–four producers (*Allis-Chalmers Mfg. Co. v. White Consolidated Industries*, 414 F.2d 506 (3rd Cir. 1969)).

Certainly, the facts in those decided cases demonstrate a quite different competitive environment from that which the statistics earlier cited show to exist in banking.

[48] Analyzed in a different market, an accretion of power through a local acquisition could so aggravate a trend towards concentration as to be, in that market and in that factual context, a substantially anti-competitive event. Here, however, Bancorporation's market share is itself modest and is trending downward, not upward.

(ii) *The Relevant Market Share of Bancorporation Is Significantly Overstated by Use of Gross Deposit Data*

Appellant argues that Colorado is a "concentrated" state, and that certain inferences ought be drawn from the share of state deposits held by its leading banking organizations. It analogizes to deposit shares in other cases. But the institutions involved in the major banking cases discussed in various portions of its brief had in common substantial branching systems which permitted the affected institutions to accommodate a fair share of the smaller, retail customers throughout the market served. In this respect, this case differs substantially, and suggests a need for more sophisticated use of market share data.

Since Colorado does not permit branching, the larger institutions—to a markedly greater degree than in branching states—tend to be wholesale banks, catering to the special needs of the large business accounts, the geographic market for whom is national, or at least, regional, rather than statewide or local.[49] Thus, in mid-1968 (the latest period for which data were available before the trial herein), the five largest banking organi-

[49] *United States v. Manufacturers Hanover Trust Co.*, 240 F. Supp. 867 (S.D. N.Y. 1965). "There can be no question that the banking industry, business, and the public regard wholesale and retail banking as a trade reality" (at 896). "The evidence shows that there is a direct relationship between the size of a bank and its ability to attract, serve, and keep wholesale customers. As a practical matter, small banks are not effective competitors for wholesale accounts" (at 905). "[T]he market for large deposits is national 'to a considerable degree' . . . large depositors do have nationwide deposit alternatives" (at 910). "[W]e conclude that the relevant geographic area of effective competition, for all wholesale accounts is the entire United States, regardless of the customer's location" (at 918). Accounts over $100,000 were found to be in the national market (at 921).

zations in the State had 48.3% of gross deposits in dollars, but only 26.0% of the number of accounts (App. 1688). This disparity reflects the reality that the smaller customers who are dependent upon local banks, are not nearly as dependent upon the larger banking organizations in Colorado as gross dollar deposits would tend to indicate. Bancorporation had about 6% of all accounts and 5.7% of all dollars on deposit in the smaller accounts in 1968. Translated into 1970 market shares, this would reach about 5% shares in both categories. The share of the five largest banking organizations in dollars and numbers of accounts in the various size categories of IPC accounts was then as follows:

Colorado Percentage, 5 Largest Banking Organizations

	Total	$0-$1M	$1-$10M	$10-$15M	$15-$25M	$25-$100M	$100M
Dollars %	48.3	24.8	35.3	38.6	45.0	54.4	78.0
No. of accounts %	26.0	23.9	32.2	38.6	44.3	51.9	68.6

Note that the share of the larger organizations in the small accounts is only one-third the share of those organizations in the large accounts. Yet these small accounts form the bulk of all banking business. In Colorado the breakdown was:

	Total	$0-$1M	$1-$10M	$10-$15M	$15-$25M	$25-$100M	$100M
Accounts	1,775,455	1,389,978	337,672	25,177	12,034	9,349	2,478
% of total	100.0%	78.3%	19.0%	1.4%	0.7%	0.5%	0.1%

To an even more marked degree, the market share of First National Bancorporation of Colorado tends to substantially overstate its penetration of the State totals in the smaller accounts.

Colorado Percentages, First National Bancorporation[50]

	Total	$0-$1M	$1-$10M	$10-$15M	$15-$25M	$25-$100M	$100M
Dollars %	15.0	5.7	8.9	11.1	13.1	18.5	27.3
No. of accounts %	6.0	5.2	8.0	11.1	12.6	17.1	22.2

[50]The gross data, and therefore proportionately the specific

Thus, it seems to us that a more valid test of market shares—accepting the relevance of statewide concentration in a state that does not permit substantial branching—would be either the share of the number of accounts or share of the dollars of deposit in those smaller accounts whose geographic relevant market lies within the boundaries of the State. We agree, however, with the bulk of economic observers that use of state statistics makes little or no economic sense.[51]

C. Bancorporation Is Not A Potential Entrant into Greeley

If Bancorporation would not enter Greeley by *de novo* charter, absent this affiliation, it is not a potential entrant and, whatever else might be said about the acquisition, the elimination of a probable additional competitive factor in Greeley is not in issue. In assessing what course Bancorporation would follow if acquisition of FNB Greeley (presently the only available bank in Greeley) was not possible, we can look to the announced intention of Bancorporation ("subjective" evidence) or to *our* assessment of the relative attractiveness of Greeley as a banking market when compared to other alternatives ("objective" evidence) or to a combination of these factors. At the outset, we are met by the claim of Appellant that this Court ought reject "subjective" evidence and look only to "objective" evidence.[52]

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categories, are lower today than in 1968 and should be adjusted downward.

Source: App. 1688.

[51] See n. 87, *infra*.

[52] "But the determination with respect to potential competition in a Section 7 case should not turn on such subjective, self-serving statements; the competitive status of a firm on the edge of the relevant market must be ascertained on the basis of objective evidence. . . ." (JS 19). [Continued]

Appellant is not being candid with the Court. If there had been a document in Bancorporation's files that articulated the position "We need to be in Greeley. Let's try this acquisition first and if that doesn't work we will apply for a new charter. However we get there, Greeley is a must market" or if on deposition, one of the officers of Bancorporation had responded, "Yes, I would go into Greeley by *de novo* charter if I couldn't have this acquisition," you may be sure that Appellant would not then be so quick to reject "subjective" evidence.[53] Such a find would have been tattooed on trial counsel's forehead and recited in Appellant's briefs repeatedly. And rightfully so. Whether Bancorporation would or would not enter Greeley by *de novo* charter if that were the only route open to it *is* a "subjective" question.

Let us pose this hypothesis. Assume that a bank holding company has indicated an intention to expand the markets it serves. Assume only two possible markets are available. Assume market A is a booming economic area, with a population growing far beyond state averages, served by one banking office although the population could support three (according to state averages). Assume market B to be stagnant and over-

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The thrust of Appellant's arguments here is that—as a general proposition—the testimony of parties to litigation ought be rejected as untrustworthy. Surely such a momentous step ought be predicated upon something more solid than Appellant's need for a leg up in one phase of one type of antitrust case.

[53] Indeed, the records in *Penn-Olin* (378 U.S. 158, 165-166, 172) and *Procter & Gamble* (386 U.S. 568, 580-581), *supra*, are rife with staff memoranda and studies recommending *de novo* entry. Appellant was quite willing to utilize those "subjective" representations and the cases were fought out on the weight to be given the various and conflicting subjective assertions. There is no conflict here.

banked. If the holding company is determined to seek a charter in market B and determined not to seek a charter in market A (for reasons personal to itself), then into which market is the holding company a reasonably probable potential entrant?

We do not ask this Court to reject "objective" evidence; we believe that it is a valid method of inquiry. Absent sworn testimony as to the intentions of the acquiring institution or documents speaking to that intent, evidence as to market attractiveness is a valid clue as to what those intentions might be. It is, further, a legitimate basis of inquiry into the truthfulness of a party's assertions. A court, faced with a clear body of evidence in flat contradiction to the testimony of a witness, is, of course, entitled to disbelieve that witness. Here, the trier of fact, the district court, after considering both "objective" and "subjective" evidence (329 F. Supp. at 1014-1015), "found in the case at bar that the evidence was clear that the Bancorporation would not go into Greeley on any foothold basis." (Hearing, 8/9/71, p. 40, App. 2007).[54] The question here is whether that

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[54] Several times (GB 14, 19, 49; JS 11, 15, 19), Appellant suggests that the district court misread Section 7 and applied the wrong statutory standards. But the district court concluded, after citing *all* adjudicated bank affiliation cases under Section 7:

> "We have sought to apply the standards laid down by the Supreme Court in [*Philadelphia and Phillipsburg*] to our facts in an effort to arrive at an accurate and fair decision herein. The main difficulty here is *the lack of cogent evidence which even suggests* that there is likely to be a lessening of competition as a result of this present acquisition." (329 F. Supp. at 1016) (emphasis supplied).

Elsewhere the court concluded that there is "no possibility" of entry into the market by Bancorporation and "a dearth of evidence

finding is so "clearly erroneous" as to warrant rejection by this Court.[55] There is no conflict in the expression of

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that Bancorporation has any threshold influence on competition at the present time." (329 F. Supp. at 1015). On "parallelism," there was "[n]o evidence whatsoever." (*Ibid.*). A careful reading of the district court's opinion discloses that each of the Government's points was most carefully considered in light of the statutory standards.

As to the Appellant's persistent claim that the court below "declined to consider the statewide trend toward concentration in evaluating the competitive effect of this acquisition" (GB 28), one would hope that the failure of the court to discern a non-existent trend might be judged as a point for, rather than against, the opinion.

[55] F.R.C.P. 52(a) provides: "Findings of fact shall not be set aside unless *clearly erroneous*, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses." (emphasis supplied). See *United States v. Yellow Cab Co.*, 338 U.S. 338, 340-341 (1949), where the Court noted: "The judgment below is supported by an opinion, prepared with obvious care, which analyzes the evidence and shows the reasons for the findings. To us it appears to represent the considered judgment of an able trial judge, after patient hearing, that the Government's evidence fell short of its allegations–a not uncommon form of litigation casualty from which the Government is no more immune than others." The Court added: "It ought to be unnecessary to say that Rule 52 applies to appeals by the Government as well as to those by other litigants. There is no exception which permits it, even in an antitrust case, to come to this Court for what virtually amounts to a trial *de novo* on the record of such findings as intent, motive and design." (*Id.* at 341-342). Rule 52(a) also applies to inferences drawn from undisputed basic facts. *Commissioner v. Duberstein*, 363 U.S. 278, 291 (1960), citing *United States v. United States Gypsum Co.*, 333 U.S. 364, 394 (1948).

Bancorporation's intent.[56] Appellant discovered thousands of pages of Bancorporation's files, deposed its senior officers and heard, without challenge, the testimony at trial without offering a scintilla of evidence to contradict Bancorporation's flat representations that, though it had not rejected *de novo* charter elsewhere (App. 1838, 1887), it would not, in the reasonably forseeable future, go *de novo* into Greeley (App. 277, 1824).[57]

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[56] In the companion *Falstaff* case (Docket 71-783), the Little study and the collection of data regarding New England beer distributors who would be willing to distribute Falstaff beer is "subjective" evidence which must be weighed against other "subjective" representations. The weight to be ascribed these factors is, of course, a responsibility of the trier of fact. But clearly, before discarding the entire concept of testimonial evidence by interested parties, we ought question whether such representations are not capable of verification and substantively valuable.

[57] Appellant argues that, in a previous application in Colorado Springs, Bancorporation had insisted that it would not enter Colorado Springs by any other method save by that acquisition, and, after the other party to that acquisition had withdrawn from the agreement, Bancorporation had filed an application for acquisition of a smaller bank (GB 33-34). This, it is contended, shows that Bancorporation's subjective representations here are not reliable.

But Bancorporation made no such claim. The application in question stated that Bancorporation wanted to acquire the bank, Exchange National, in order to utilize its acknowledged skills "to establish a major wholesale bank in downtown ... Colorado Springs" and that "it would be imprudent to allocate the human and financial resources required to accomplish [these] objectives ... if a smaller bank in the Colorado Springs area were to be acquired." There was no representation–anywhere in the application–that it would not acquire another bank if the proposed affiliation failed for any reason. When Exchange with-

The evidence at trial revealed that Greeley has had the lowest absolute growth of any Colorado community of 25,000 or more and that Bancorporation had no office in 11 of those 13 communities. The evidence showed that the population to commercial banking office ratio of Weld County was significantly lower than that of any other county in Colorado with population of 50,000 or more (following page) and that Greeley had the lowest population per commercial banking office ratio of any community in the State with a population of 20,000 or more (App. 1694). The district court concluded from this that "It cannot be said then that either Greeley or Weld County is underbanked." (329 F. Supp. at 1015). Even if one assumes that Greeley's moderate growth and population per office ratios make it an attractive situs for *de novo* charter, would not that same evidence make every other major population center in the State an even more attractive situs for new charter? And is it not then clear that, *relatively*, Greeley is the *least* attractive market for new charters in the larger communities in the State?

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drew, Bancorporation applied to acquire East Colorado Springs National Bank. That application candidly conceded that Bancorporation could only achieve more limited goals via that affiliation. "It should be evident, therefore, that Applicant does not claim the ability, through East Bank, to do all that its acquisition of a larger Colorado Springs bank would have made possible, either in supplying the capital requirements of the expanding industrial base of the City or in providing competition to its dominant institution, First National Bank of Colorado Springs. What applicant can and will do, however, is to make East Bank a much more meaningful alternative source of those services which can efficiently and conveniently be supplied by an institution of its size and at its location." It is to be hoped that Appellant will limit its wrenching of words and phrases out of context to its brief in chief in order that Appellees may be able to devote their oral arguments to the merits of the case.

In sum, the "objective" evidence in no way contradicts the unchallenged "subjective" evidence, but rather tends to confirm that Bancorporation is not a likely future potential entrant in Greeley.

POPULATION PER BANKING OFFICE
ALL COLORADO COUNTIES
50,000 OR MORE
(year end 1970)

In Descending Order of Population Per Banking Office

Name of County	Number of Banks	Population	Population Per Banking Office
Adams	6	185,789	30,964
Jefferson	11	233,031	21,185
Pueblo	7	118,238	16,891
Denver	31	514,678	16,602
Arapahoe	11	162,142	14,740
El Paso	19	235,972	12,419
Mesa	5	54,374	10,874
Boulder	12	131,889	10,991
Larimer	10	89,900	8,990
WELD	15	89,297	5,953

Source: App. 1693.

(i) *The Qualifications Necessary to Support a New Charter in Greeley are Shared by Many in Colorado*

Even in a critically overconcentrated market, the disappearance of one potential entrant (*arguendo*) could hardly be construed, in reasonable probability, to constitute a substantially anticompetitive event if there remain a significant number of alternatives (literally scores of potential entrants are suggested by the record in this case (*infra* pp. 54-55)). Thus in *United States v. El*

Paso Natural Gas Co., 376 U.S. 651 (1964), Pacific was the *only* extant pipeline tapping both Canadian and Southwestern sources within easy reach of the California markets (*id.* at 661). The cost of such a line could be measured in the hundreds of millions. Maintaining the independence of Pacific was critical to a possible dissolution of El Paso's monopoly position. Clorox' monopoly position in chlorine bleach was maintained primarily through advertising (*Procter & Gamble, supra*, 386 U.S. at 572). The products were fungible and purchase of any one in lieu of another rested on a fictitious image of superiority (*ibid.*). Procter & Gamble, already dominant in a related field, considering entry itself and being the largest advertiser in the world (*id.* at 573), was in a *unique* position to challenge Clorox' market power. Its removal from the pool of potential entrants would have been a severe blow to any hoped-for dissolution of Clorox dominance (386 U.S. at 575). In *Penn-Olin, supra* (378 U.S. 158, 163-164), Pennsalt was the *only* manufacturer of sodium chlorate in the United States without a plant in the Southeast, where there were but 3 manufacturers. Olin owned the patents on the manufacturing process (378 U.S. at 164, 175). Their jointure would mean that any new entrant would not only have to risk the millions associated with plant and sales establishments (see 217 F. Supp. 110, 129, n. 23), but would have to surmount high technical barriers. On remand to test whether one of the joint venturers would have gone into the market separately while the other remained on the edge of the market, Pennsalt testified that it had no intent, either to enter separately or to remain in active contemplation of such entry if Olin acted alone. The district court ruled that this factor determined the issue and dismissed the complaint (246 F. Supp. 917). The Department of Justice appealed, arguing for an "objective" test rather

than a "subjective" one. This Court affirmed 4-4 (389 U.S. 308).

It was at this juncture in time that the three-judge court in the first potential competition case in the banking industry, *United States v. Crocker-Anglo National Bank*, 277 F. Supp. 133 (N.D. Calif. 1967), decided in favor of the defendants. The court there ruled that, in a potential competition case, it was incumbent upon the government to prove—not that the banks could, absent the merger, have entered into each other's markets (as a possibility)—but that they would in reasonable probability have done so (*id.* at 190). The banks had testified that they had no such intention and, to the same effect, the Comptroller had testified that he would not have permitted substantial *de novo* entry even if they had applied. The Department of Justice did not seek review of this decision.

A number of mergers with potential competition aspects were abandoned by the banks when the Department of Justice threatened or brought suit. In May of 1968 a second potential competition case was contested —*First National Bank of Jackson, Mississippi—Bank of Greenwood, Greenwood, Mississippi.*[58] The Department of Justice lost this case in the district court, and again declined to appeal. Between August of 1968 and June of 1969, some eleven bank merger cases, entirely or basically potential in competitive theory, were filed. In a number, the banks abandoned their proposals. *First National of Maryland—First National of Harford County*[59] was lost by the Department of Justice, as

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[58] *United States v. First National Bank of Jackson*, 301 F. Supp. 1161 (S.D. Miss. 1969).

[59] *United States v. First National Bank of Maryland*, 310 F. Supp. 157 (D. Md. 1970).

were *Idaho First National Bank–Fidelity National Bank* [60] and the instant case. Each attempt by Appellant to stretch the rule of law enunciated by this Court on potential competition to the particular market structure of commercial banking was rejected–by eight different Judges representing a broad spectrum of political philosophies and involving disparate factual and geographical situations.

How do these legal precedents apply to our fact situation? While Bancorporation and Greeley do not presently compete, and there are statutory inhibitions on the development of such competition through branching, the holding company format offers a vehicle through which competition could, at least theoretically, develop. When does an affiliation of two business entities which could have competed sometime, somewhere, and to some extent, rise to the level of a "substantial lessening of competition"? The threshold question is, of course, the probability that, absent the affiliation the acquiring institution would have entered the market.[61] There is

[60] *United States v. Idaho First National Bank*, 315 F. Supp. 261 (D. Idaho 1970).

[61] Of course, the fact that two companies are affiliating does not make them potential competitors. "[I]t seems clear that 'the fact that one of the two parties to a merger is willing to engage in that transaction does not indicate that it is a potential competitor.' True, the party to the merger desires to enter the field of business in which the other party is engaged. That desire, however, sheds no light on the feasibility of the first party's entry apart from the merger. Any other rule would make every merger unlawful." Hale and Hale, "Potential Competition under Section 7: The Supreme Court's Crystal Ball," *The Supreme Court Review* 171 (1968).

In *Penn-Olin*, 246 F. Supp. 917, 934 (1965), the court pointed out that the plaintiff ha. the burden of establishing, by a preponderance of the evidence that the alleged potential competitor "as a matter of reasonable probability would have . . . entered the . . . market."

simply no evidence that Bancorporation had any intention of entering Greeley's service area absent this affiliation. There this exercise ought end.[62]

(ii) *Legal Precedents on Probability*

The most that can be rescued from this fact situation is that Bancorporation might, someday, somehow, enter the Greeley market by some means other than this affiliation. This is not enough. If we say that permission to establish a new charter might someday be granted, and that someday Bancorporation might become inclined to enter upon some supposed change in market conditions, we assert nothing more than that Bancorporation is potentially a potential entrant. But, as this Court noted in *Brown Shoe*:

> . . . Congress used the words '*may* be substantially to lessen competition' to indicate that *its concern was with probabilities*, not certainties. Statutes existed for dealing with clear-cut menaces to competition: no statute was sought for dealing with ephemeral possibilities. Mergers with a *probable* anticompetitive effect were to be proscribed by this Act . . . (emphasis supplied).[63]

and Judge Timber noted in *ITT-Grinnell*:

> While the line between 'possibilities,' 'certainties' and 'probabilities' may be difficult to draw in a given case, such difficulty does not relieve the Court of its

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[62] See the opinion of the district court in *Penn-Olin* on the second hearing, denying significant competitive effect of the joint venture on proof that Pennsalt had concluded it would not enter the market absent the joint venture (246 F. Supp. 917 (1965)). This judgment was affirmed by an equally divided Supreme Court (389 U.S. 308 (1967)).

[63] *Brown Shoe Co. v. United States*, 370 U.S. 294, 323 (1962).

> obligation to do so in accordance with established legal standards. . . . Upon its face, Section 7 makes it clear that the statute is concerned with *probabilities*. . . .[64]

Similarly, the *Beatrice Foods Company* opinion of the Federal Trade Commission argued that:

> Much potential competition is simply too remote, speculative, or improbable to have demonstrable competitive significance. The elimination of such marginal potential competition is not so serious in its probable effects as to require remedial action under the antitrust laws. It is only when entry of a potential competitor is *probable* that the threat of his entry is likely to exercise a restraining influence on the pricing and other behavior of the dominant firms in the market.[65] (emphasis supplied).

The opinion of the distinguished three-judge court in *Crocker* (Circuit Judge Pope and Judges Sweigert and Zirpoli) on Plaintiff's Motion for Preliminary Injunction is on all fours on this point.

> We think it is plain that before a merger may be condemned merely because its effect may be to lessen *potential* competition it must be ascertained that the potential competition is a reality, that is to say, that there is a *reasonable probability of such potential competition.* (latter emphasis supplied).
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> The legislative history of the 1950 amendment of § 7 of the Clayton Act makes it plain that with respect to the question of whether the effect of a merger 'may be substantially to lessen competition'

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[64] *United States v. International Telephone and Telegraph Corp.*, 324 F. Supp. 19, 30-31 (D. Conn. 1970).

[65] *In re Beatrice Foods Co.*, Docket 6653, 67 F.T.C. 697, 719 (1965).

the proof must be that there was a reasonable probability that the merger would have the prescribed effect. As stated in the Committee Reports, '[t]he use of these words means that the bill, if enacted, would not apply to the mere possibility but only to the reasonable probability of the prescribed [sic] effect, as determined by the Commission in accord with the Administrative Procedure Act.'

Of course, if the effect is to be judged only by 'reasonable probability' then *a fortiori* the existence of a potential competition must be judged according to the reasonable probability of the same. To say that it would be possible for Crocker-Anglo to move by *de novo* branching into the area of Citizens is not enough. The question is, has there been disclosed a reasonable probability that such would be the case? In short, our function is not to speculate upon the basis of mere possibility.

* * *

In this case there is another special circumstance which makes *proof* of probable prospective competition by Crocker-Anglo through establishment of *de novo* branches in the Los Angeles area well-nigh impossible. Unlike a grocery chain or hardware merchant or a steel manufacturer who can establish new outlets or plants where he wishes, Crocker-Anglo cannot establish a branch bank anywhere without approval of bank supervisory authorities. Whether the Comptroller would permit the establishment of sufficient branching in this area is so uncertain as further to throw this whole question into the field of speculation. At the time of his decision upon the application for merger the Comptroller obviously considered the five southern counties occupied by Citizens as already overcrowded with banks.

> We are compelled to conclude on this record that the evidence with respect to the alleged potential competition is wholly insufficient to permit us to make a finding of any lessening of competition in consequence of the merger here in question.[66]

One cannot, in the last analysis, postulate *probability* of competitive injury upon a possibility of competition.[67] But let us assume, *arguendo*, that Bancorporation is a reasonably probable *de novo* entrant into the market served by FNB Greeley.

Once reasonable probability of entry is established or, as here, postulated, the central question is whether the loss of that potential is itself reasonably likely to substantially lessen competition. It is only in a market already excessively concentrated, with few potential entrants, that the elimination of one potential entrant creates substantial competitive danger. For, if a market is already adequately served, the elimination of a potential competitor cannot occasion a substantial lessening of competition, however desirable one might view a store of reserves. Similarly, even in a critically overconcentrated market, the taking out of one potential entrant when there remain others is not to be confused with the unhealthy state of the market. Given a number of remaining potential entrants, the disappearance of one potential entrant is not likely itself to exacerbate the

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[66] *United States v. Crocker-Anglo National Bank*, 223 F. Supp. 849, 855-6, 859 (N.D. Calif. 1963).

[67] On remand, the district court in *Penn-Olin* (246 F. Supp. 917, 934 (1965) noted:

> It is, of course, possible that . . . Pennsalt alone would have constructed a facility. . . . Anything is possible. But, if the record is to be the criterion it is unlikely that this would have occurred.

existing situation sufficiently to *cause* a substantial lessening of competition.

Consider a commercial bank in Greeley. Unlike a manufacturer or distributor, a banker cannot build a facility to a chosen size. One does not open a bank with $40 million in deposits. A bank is established at $0 deposits and its plant is designed to comport with its position. No banker erects a mausoleum. He cuts his cloth to his market. Assuming regulatory approval, to open a small bank calls for one qualified lending officer and $100–300,000 (ascending by population category) in capital. Entrepreneurs on this scale are easy to find in Colorado. Between 1960 and 1970, 64 new banks were opened in Colorado (App. 1660), only 10 by men associated with the six largest banking organizations in the State (App. 1371-1372). There are no non-regulatory barriers to entry worth noting when one small state can create so many new enterprises in a single decade, or, on a national scale, when 1763 new banks can be organized within the same period.[68] Plainly there is no dearth of

[68] *Statistical Abstract of the United States*, 1971, Table 665. Compare entry barriers in other industries where alleged Clayton Act violations were considered:

1) *Natural gas distribution*–Pipe lines cost in the tens of millions of dollars; the number of fields is limited and the number of customers highly restricted. (*United States v. El Paso Natural Gas Co.*, 376 U.S. 651 (1964); *Utility Users League v. Federal Power Commission*, 394 F.2d 16 (7th Cir. 1968).

2) *Beer*–A one million barrel facility (a minimum for efficient operation) cost about $20 million, aside from personnel and "the heavy promotional costs associated with introducing a new beer" (Pages 35-37 of the Government's brief in the companion *Falstaff* appeal). Only one manufacturer has entered the industry since 1947 (and he was an established Canadian manufacturer making a move into domestic markets). *United States v. Joseph Schlitz Brewing Co.*, 253 F. Supp. 129 (N.D. Calif. 1966), aff'd *per curiam*, 385 U.S. 37 (1966)).

either capital or personnel to organize, buy or operate a modest banking facility. Yet Appellant seeks to preserve Bancorporation to fill no larger role.

Appellant seeks to lift Bancorporation out of this mass of "potential" entrants because it is the largest banking organization which is (a) not already doing business in Greeley (b) which could open a bank in Greeley. Although there are many which could enter Greeley, our size is held to render our potential entry a uniquely pro-competitive desideratum. Thus it is postulated that if

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3) *Potash*–Only companies with substantial capital resources could hope to enter this field of mining. (*United States v. Standard Oil Co.* (N.J.), 253 F. Supp. 196 (D. N.J. 1966)).

4) *Gasoline*–The drilling, refining and distribution of gasoline is enormously expensive (*United States v. Atlantic Richfield Co.*, 297 F. Supp. 1961 (S.D. N.Y. 1969)).

5) *Liquid Bleach, Steel Wool Pads, etc.*–Liquid bleach, steel wool pads and the like may be characterized as "high turnover, low priced mass marketed commodities which for all practical purposes are functionally and chemically identical, must rely heavily upon advertising, for they tend to be purchased by unsophisticated buyers on the basis of emotional appeal rather than upon the intrinsic merits of the product." (*United States v. Wilson Sporting Goods Co.*, 288 F. Supp. 543, 552 (N.D. Ill. 1968)). The enormous pricing advantages accruing to the large buyers in mass media advertising therefore makes entry into such industries a function of great size. (*American Tobacco Co. v. United States*, 328 U.S. 781 (1946); *General Foods v. Federal Trade Commission*, 386 F.2d 936 (3rd Cir. 1967); *Federal Trade Commission v. Proctor & Gamble Co.*, 386 U.S. 568 (1967).

6) *Metal Rolling Mills*–The capital investment and the know-how level are both extremely high (*Allis-Chalmers Mfg. Co. v. White Consolidated Industries*, 414 F.2d 506 (3rd Cir. 1969)).

7) *Sodium Chlorate*– as in 6 (*United States v. Penn-Olin Chemical Co.*, 378 U.S. 158 (1964), modified on remand, 246 F. Supp. 917, aff'd by an equally divided Court, 389 U.S. 308 (1967).

we were to open a bank in Greeley we could somehow use our deposits in Denver to increase our market share in Greeley more rapidly than could any of the other potential entrants and more quickly take away a large share of the deposits held by the other banks in the market and therefore become an important factor in banking in Greeley quicker than anyone else.[69] The proposition that larger deposits in market A will aid an organization to develop market B has a plausible ring to it. How does the rhetoric comport with the experience of Bancorporation's peers in Colorado, indeed in Greeley?

a. United Banks of Colorado has a larger deposit base than does Bancorporation (App. 1371). Four of its acquisitions are more than 5 years old (App. 1371-1372). In *Boulder* it acquired Mercantile Bank and Trust Company in 1966 (*ibid.*). At year-end 1965, that bank had 20.1% of commercial bank deposits in the City of Boulder. Until the organization of Affiliated Bankshares of Colorado in 1970, there were no competing holding company affiliates in Boulder. Nevertheless, United's share had dropped to 17.2% at year-end 1970 (App. 1689). The Boulder National Bank, an independent organization organized in 1964, rose over this same period from 0% to 8.2% (*ibid.*). In *Littleton*, United acquired the Arapahoe Valley Bank in 1964 (App. 1371-1372). That bank had been rapidly increasing its market share at the expense of Littleton National Bank for some years. The market share peaked in 1967 and has since slid off steadily (App. 1690). Two new banks have been organized in the market in the interim (*ibid.*,

[69] We seriously question whether preserving an organization as a potential entrant simply because (under Appellant's theory) it can grow faster than another potential entrant serves any demonstrable competitive purpose.

American Bank Directory, Fall, 1971 ed.). In *Aurora*, United acquired the second largest bank in 1964, the First Bank of Aurora, with a 1963 year-end market share of 41.7% (App. 1371-1372, 1691). By year-end 1970, its market share had dropped to 26.4%. It is now the third largest bank in the market behind a bank organized in 1963 (App. 1691). A fourth bank has been organized in the market since that time (*American Bank Directory*, Fall, 1971 ed.) In *Greely* itself, despite the fact that FNB Greeley lost more than 5 points in market share between 1964 and 1970, United has been able to do no more than maintain the market share which its previously independent subsidiary, Weld County Bank, had held in the first half of the 1960's (App. 1371-1372, 1692), although that bank had increased its market share at FNB Greeley's expense–by 5 points–between 1950 and 1960 (App. 1692). It remained for Greely National, then not associated with a holding company, to take unto itself and its affiliates the entire share (1964-1970) which had slipped away from FNB Greeley.

b. The experience of Western Bancorporation–16 times the size of Bancorporation (*Moody's Bank & Finance Manual*, 1971)–is similar. In *Englewood*, it acquired the Continental National Bank of Englewood in 1956 (App. 1372). Continental had 36% of deposits in 1955. Another bank was established in 1965 and is prospering. Continental's market share has dropped to 33% (App. 1351). In *Fort Collins*, Western had acquired First National with 51.1% of city deposits in 1957 (App. 1353, 1372). This market share held through 1970 (App. 1353) while two new banks entered the market (*id.*). In Denver, the market share of Western's American National Bank rose 0.4% while 17 new banks were organized (App. 1345-1350).

Thus the market experience of acquired subsidiaries of Bancorporation's larger competitors in the 7 Colorado markets in which they have acquisitions of 5 years duration may be summarized as follows: the market share of the acquired bank dropped perceptibly in 3 (Boulder, Aurora and Englewood), rose preceptibly in one (Littleton), and changed only by a fraction of a point in three (Greeley, Fort Collins and Denver). During the period in which those banks were controlled by these holding companies, 24 new banks were organized in their markets.

This experience of larger banking organizations in the same state, even in the same market, is not compatible with a conclusion that Bancorporation's acquisition of FNB Greeley would discourage new entrants or somehow preserve FNB Greeley's market share by force of Bancorporation's size; or that a *de novo* entry by a Bancorporation subsidiary (assuming agency approval could be obtained) would involve growth disproportionate to that obtainable by others.[70]

(iii) *Capacity to Enter*

A factor critical to a finding of violation of the statutory standards in all potential competition cases has been the fact that the merger has removed from the edge of the market a competitor whose entry awaited only the

[70] Bancorporation intends to reverse the historic slide of FNB Greeley's market share (App. 1692), but to do so by improving the quality of the management, by more and better services, by more aggressive solicitations and the like (App. 280-286, 315-318, 324, 328, 1492-1539, 1823-1824). We apprehend, however, Appellants' thesis to cover market shares obtained or preserved on account of size alone. That thesis is certainly at odds with the competitive experience encountered by the older and larger holding companies in the State. Appellant's n. 42 completely misapprehends the thrust of this discussion.

exercise of his own will. The following language from *Penn-Olin* (378 U.S. 158) is implicit in all the successful potential competition prosecutions:

"The District Court found that 'Pennsalt and Olin each possessed the resources and general capability needed to build its own plant in the southeast and to compete with Hooker and [American Potash] in that market. *Each could have done so if it had wished.*' " (*Id.* at 172) (emphasis supplied).

". . . [T]he sole test would not be the probability that *both* companies would have entered the market. Nor would the consideration be limited to the probability that one entered alone. There still remained for consideration the fact that Penn-Olin eliminated the potential competition of the corporation that might have remained at the edge of the market, *continually threatening to enter.* (*Id.* at 173) (latter emphasis supplied).

". . . [T]he 'effect on competition . . . is determined by the nature or extent of that market and by the nearness of the absorbed company to it, that company's *eagerness to enter* that market, its resourcefulness, and so on.' " (*Id.* at 174) (emphasis supplied).

". . . The existence of an aggressive, well-equipped and well financed corporation engaged in the same or related lines of commerce *waiting anxiously to enter* an oligopolistic market would be a substantial incentive to competition which cannot be underestimated." (*Ibid.*) (emphasis supplied).

". . . [T]he industry was rapidly expanding; the relevant southeast market was requiring about one-half of the national production . . . few corporations had the inclination, resources and know-how to enter this market; both parent corporations of

> Penn-Olin had great resources . . . each had the know-how and the capacity to enter that market and could have done so individually at a reasonable profit. Moreover, each company had compelling reasons for entering the southeast market. . . ." (*Id.* at 174-175).

The Regional Administrator of National Banks testified that he would not, in the foreseeable future, recommend a charter for an additional bank in downtown Greeley (App. 330).[71] In early May, 1972, the State Banking Board granted a charter for the fifth banking organization in Greeley in a shopping center on the southern boundary of the City. This now gives Greeley, with a smaller deposit and population base and a lower rate of population and deposit growth (App. 1376, 1689, 1692, 1694), one *more* banking office than the nearby city of Boulder.[72] Yet in 1970, the State Banking Board twice (App. 1695, 1702) denied new charters in Boulder on the ground that the city was already adequately banked.[73] Also, in 1971, the State Banking Board turned

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[71] Appellant contends (GB 41-42) that the testimony of the Regional Administrator should be disregarded, since his opinion is only advisory. But the Regional Administrator made it clear that he was testifying with the consent and under the direction of the Comptroller (App. 333).

[72] State Bank of Greeley, the most recent entrant into commercial banking in downtown Greeley, increased its deposits from $1.2 million in 1965 to $2.1 million in 1970 (App. 1356). This hardly suggests that "profit expectations in it are good" (GB 36) –one of Appellant's criteria for entry.

[73] "The Boulder community presently appears to be well served by existing financial institutions. . . .

"It could be argued that additional banks, conveniently located, will further the interests of the depositing public. A bank situated on every block would, no doubt, be desirable from the standpoint

down an application for a second bank in Northglenn, a community with 30,000 people (App. 492). Under these circumstances, we were somewhat surprised that the Board granted a charter in Greeley at all,[74] but, taken together with its contemporary denials in the larger Boulder and one-bank Northglenn markets, this approval compels the conclusion that no more charters are likely from that source in the foreseeable future.[75]

It would appear that, since only these two agencies could approve a new charter, for the foreseeable future, *there are no potential entrants into commercial banking in Greeley*. To characterize one as a potential entrant requires both intent and capacity. Bancorporation has plainly shown that it has no such intent. The testimony of

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of some depositors and prospective customers. On the other hand, we do not feel that such a chartering procedure would be in keeping with the trust imposed upon this Board by the Colorado General Assembly." (Order denying the application for charter of Boulder Valley Bank, Colorado State Banking Board, 2/3/70 (App. 1695, 1700)). It was these statements in the context of the disparate sizes of Boulder and Greeley together with the Commissioner's refusal to reject the quoted language as reflecting his office policy (App. 492), that formed the predicate for the district court's view that the State Banking Board was unlikely to grant another charter, (329 F. Supp. at 1015). We do not believe that this judgment was an unreasonable one.

[74] The Board stated that it was impressed by the deposit growth in Greeley between 1960 and 1971, but the record in this case discloses a Greeley deposit growth of 144% between 1960 and 1970 and a Boulder deposit growth of 226%. (Aurora, 330%; Colorado Springs, 169%; Englewood, 145%; Fort Collins, 297%; Lakewood, 196%; Littleton, 160%; Loveland, 175%; Wheatridge, 1024%) (App. 1337, *et. seq.*). Indeed deposits in the State as a whole grew 116% over that time span (App. 1660).

[75] The record on the approval suggests that there was another applicant for the site in question. (See n. 6 *supra*.).

one regulatory agency and the actions of the other tend to negate capacity.[76]

It is, of course, possible that the State Banking Board could reverse its entire statewide policy and charter still an eighth bank in Greeley. But is this a reasonably probable course? Is it not reasonable to say that, whatever its intent, Bancorporation does not appear to have the *capacity* to enter Greeley *de novo*?

If any area is "over-concentrated" as defined by a small number of banks sharing the market, it would be Montbello. Certainly, Montbello is more attractive than Greeley in that it has a five year anticipated growth of 10,000 in employees and population of 40,000 people

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[76] Appellant claims (GB 43) that the attitude of the regulatory authorities should be disregarded, because "[t]o assume . . . the regulatory agencies would not permit a new bank in the Greeley area would be at odds with the policy reflected in Section 7 of the Clayton Act that "corporate growth by internal growth is socially preferable to growth by acquisition," citing *Philadelphia Bank, supra,* 374 U.S. at 370. But this quotation, in context, has different implications:

> "There is an alternative to the merger route: the opening of new branches in the areas to which the customers have moved—so-called de novo branching Appellees do not contend that they are unable to expand thus, by opening new offices rather than acquiring existing ones, and surely one premise of an antimerger statute such as § 7 is that corporate growth by internal expansion is socially preferable to growth by acquisition."

In Colorado, a unit bank state, this "socially preferable" route is closed to Bancorporation. Certainly *Philadelphia Bank* does not stand for the proposition that the attitude of the regulatory agencies should be disregarded. Indeed, the Court there recognized that "Entry is, of course, wholly a matter of governmental grace." (*Id.* at 368, n. 44).

(App. 351) from a 1970 base of under 10,000. Nevertheless, Bancorporation's application for a national charter in Montbello was recently rejected in order to protect the single small bank now serving the market. Bancorporation had foreseen this possibility and had sought Federal Reserve Board permission to acquire Montbello State Bank, the sole market occupant. The Board rejection was couched in terms of a need for more competition in the market and urged Bancorporation to seek a new charter (App. 1750, 1755-1756). The minority (4-3) correctly foresaw what would happen and suggested that the majority was simply frustrating any meaningful development of the market (App. 1758-1759). So it came to pass. One agency predicting the needs of a market regulated by another erred as to the available alternative routes. But if a bank regulatory agency can make that sort of mistake, how much more prone to error is a prediction of an agency (Appellant) with a single orientation towards maximizing numbers of entrants.

(iv) *The City of Greeley is Not an Oligopolistic Banking Market*

Of course, any pool of "potential entrants" is entirely unnecessary if the market is one adequately served by the number of competitive alternatives already there. It is only when the market is substantially inadequately served that potential competitors become relevant. Thus, in *Penn-Olin*, the Court concluded:

> The position of a company [citing *El Paso*, 376 U.S. at 660] 'as a competitive factor . . . was not disproved by the fact that it had never sold . . . there . . . [I]t is irrelevant in a market . . . where incremental needs are booming.' [Court's elisions.] The existence of an aggressive, well equipped and

> well financed corporation engaged in the same or related lines of commerce waiting anxiously to enter an *oligopolistic* market would be a substantial incentive to competition which cannot be underestimated (378 U.S. 158, 174) (emphasis supplied).

Greeley is not a market "where incremental needs are booming"–Weld County, of which it is the County Seat, has grown only about 40% over the past thirty years.[77] During the same period national population grew 52%; State population grew 96.5%; and counties located along the Rocky Mountain front, as a group, grew 261.3% (App. 1373-1376). But even more critically than this modest trailing growth pattern, Greeley *is not an "oligopolistic market."* It is true that the Appellant persists in so representing the city,[78] but this is a mere *ipse dixit* on a proposition as to which Appellant bears the burden of proof. For all that we have seen so far, the

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[77] Appellant (GB at 9) attempts to belie the district court's finding that the Greeley area had attained only a "moderate" amount of economic and population growth over the last decade (329 F. Supp. at 1015) by pointing to a population growth in the "Greeley Area" from 45,228 to 58,500 between 1960 and 1970; to telephone increases of 48.2%; and to personal income up from $119.5 million in 1959 to $212 million in 1968. However, the population increase in the "Greeley Area" included 6,000 college students (App. 1379). Permanent population increases were 16%. Colorado grew 25.8%. Telephone connections in the United States rose 62.2% (*Statistical Abstract of the United States*, 1971, Table 757). Personal income increases translate from $1,691 per capita in 1959 to $2,467 per capita in 1968 or 45%. But comparable United States figures rose 66.4%–from a higher base in 1960 at $2,236 to $3,720 in 1968. (*Id.*, Table 492). Placed in some sort of context, Appellant's free-form statistics confirm, not belie, the district court's finding of fact.

[78] Complaint ¶ 11 (App. 6): "Commercial banking in Greeley is highly concentrated"; Complaint ¶ 12 (App. 6): "Commercial banking in the Greeley area is also highly concentrated."

support for this representation is much like Humpty Dumpty in Alice in Wonderland: "When I use a word, it means just what I choose it to mean—neither more nor less."[79] Greeley is a concentrated [*i.e.* oligopolistic] banking market because, it would appear, Appellant says it is.

(v) *Time Frames for Entry*

It appears to be the view of the Department of Justice that where potential entrants are—or are contended to be—few in number, they must not be permitted to merge or affiliate into a market even in the face of evidence that such market cannot now absorb further entrants, and even when in fact there is an extraneous impediment to entry. Appellant would have such companies serve as sentinels, like the guards at the gates of Pompeii, awaiting through the centuries the day and the hour—if any—upon which they might usefully add to the pool of participants in the market.

Judge Nixon, in *United States v. First National Bank of Jackson*, 301 F. Supp. 1161 (S.D. Miss. 1969), adopted a standard of time frames similar to that adopted by the court in *United States v. Crocker-Anglo National Bank*, 277 F. Supp. 133, 188, 190 (N.D. Cal. 1967), as to potentiality of competition. He said, "our determination of whether or not the proposed merger of the Defendant banks is proscribed by Section 7 of the Clayton Act, that is, whether it *now or within the reasonably foreseeable future* will have the effect substantially to lessen competition actual or potential," will depend on the facts (301 F. Supp. at 1188). Judge Boldt specifically concurred in this conclusion in *United States v. Idaho First National Bank*, 315 F. Supp. 261, 274 (D. Idaho 1970).

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[79] Carroll, *Through the Looking Glass*, Chapter VI.

Similarly, Appellant argued for an indefinite time frame in *United States v. First National Bank of Maryland*, 310 F. Supp. 157 (D. Md. 1970). This was implicitly rejected by the court in its approval of the merger.

To attenuate a "may be" statute through "potentially may be" to "at some future time potentially may be" stretches the concept of reasonable probability beyond bounds.

Can one look down the years and say—yes—at this point in time the market will be ready? Plainly our crystal ball is not that clear.

D. "Triggering"

No bank affiliation can "trigger" any other bank affiliation. No bank may affiliate with another without the explicit approval of at least one bank regulatory agency. No bank affiliation can be approved by any bank supervisory agency without complete and careful prior analysis of the competitive effects by the Antitrust Division of the Department of Justice (as that agency is required to do by statute in this industry and in this industry alone).

No two banking organizations can consummate an affiliation which is opposed by the Antitrust Division of the Department of Justice; because in this industry, and in this industry alone, the Department of Justice has an automatic injunction imposed by force of the mere filing of a complaint, and no merger can be consummated until thirty days after the Department of Justice is advised that the bank regulatory agency has approved the affiliation.[80]

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[80] 12 U.S.C. §1828(c).

The Federal Reserve Board commented as follows:

"Insofar as any 'triggering effect' which approval of the application may have, each subsequent application also must receive the approval of the Board. Presumably, one of the reasons for the requirement of administrative approval of individual cases, rather than the establishment of firm legislative guidelines, is to permit the recognition of distinctions which may exist among cases which would otherwise be grouped in proscribed or permitted categories. [Each] application should be analyzed on the basis of the competitive structure of the market and other facts existing at the time of the Board consideration of the matter." (App. 1772).

E. Potential Competition Summarized.

(1) Bancorporation has no intention of entering the Greeley market other than by this affiliation. This flat assertion is uncontradicted and comports with the "objective" facts associated with the area, *i.e.*, relative attractiveness of Greeley as a banking market.

(2) Bancorporation probably could not secure a charter even if it sought one. It does not appear likely that the regulatory agencies would permit it.

(3) Greeley is not a "highly concentrated" market as that term is comprehended by the Clayton Act. The number of banking organizations serving Greeley is far in excess of the national norm, which, in the absence of evidence to the contrary, must be concluded to relate to the principal economies of scale attendant upon that industry.

(4) More than 60 entrepreneurial groups in Colorado have formed new banking organizations in the last decade; the capital and technical requirements for a new charter are so modest that the withdrawal of a particular

(*arguendo*) potential entrant, of whatever size, would have no discernible impact on this widespread pool of remaining putative applicants.

Appellant bore the affirmative burden of establishing each of these propositions. Each would seem critical to his case. We submit that the only evidence submitted on any of them went to the negative of the proposition. Appellant's case failed for want of evidence on *every* key issue. Rhetoric is not an acceptable substitute.

III.

BENEFICIAL COMPETITIVE EFFECTS

In *Philadelphia Bank, supra*, 374 U.S. 321, 371, this Court stated that an otherwise *unlawful* merger "is not saved because, on some ultimate reckoning of social or economic debits and credits, it may be deemed beneficial." Such are the rags and patches from which this suit is stitched that appellant feels compelled to contend that even if there are *pro*-competitive effects of this affiliation in the affected market, they are to be wholly disregarded in determining *lawfulness* if any anticompetitive effects can be found (GB 51). Under those ground rules, if the final score after the evidence was in on the competitive effects of this affiliation was Appellees 35, Justice 7, then Justice would win. Although we do not concede the 7 points, we conceive the argument to be a perversion of the statute.

A. Bancorporation Will Help FNB Greeley to Become a More Effective Bank.

There are important procompetitive effects of this proposed affiliation. FNB Greeley has had a steadily declining share of Greeley deposits for the last 20 years.

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[81] Appellant would sweep the *market* pro-competitive effects of the acquisition under the rug by calling pro-competitive effects a defense under "convenience and needs" and anti-competitive effects a violation of the Clayton Act (GB 51). This is semantic nonsense.

Its 49.8% share in 1950 dropped to 32.6% in 1970 (App. 1692)—a consistent trend both before and after the holding company affiliations of its primary competitors.[82] This inability to compete effectively was broadly attributed by the Regional Administrator of National Banks to persistent management deficiencies (App. 327-328; see also App. 284, 404, 1530).[83] Further, the application to the Federal Reserve Board for approval of this affiliation had noted a heavy emphasis on agricultural lending, with a corresponding weakness in consumer and real estate financing in the FNB Greeley loan portfolio (App. 1429, 1494-1502; see also App. 279-280, 1381). Bancorporation has pledged to supply competent personnel to fill the management gap; to supply technical personnel in consumer and mortgage financing; and to supply one million dollars in additional capital for an agricultural credit corporation (App. 279-282, 1495-1497, 1530). This last would free seven million in FNB Greeley loanable funds for the consumer and mortgage fields, while maintaining FNB Greeley's present

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[82] Thus, Appellant is simply wrong when he attempts to distinguish this case from *Penn-Olin* on the ground that that case involved "new actual competition which may have had a significant deconcentrating and pro-competitive effect" while "this case simply substitutes one competitor for another and thus has no potential deconcentrating effect whatsoever" (GB 35, n. 38). It is not an unreasonable assumption that FNB Greeley's market share losses reflect an ineffective competitive force. Under the circumstances, substitution of Bancorporation would appear to have "potential deconcentrating effect" on the market.

[83] This is not to denigrate the present senior management of the bank. The Chief Executive Officer of FNB Greeley was a leading attorney and a prominent businessman in Greeley when he was called upon to assume the presidency of the bank several years ago in order to settle a crisis in confidence in the bank after a series of bad loans. He is, however, not a trained banker. The bank's executive vice-president is a fine banker, but a persistent heart condition limits the responsibilities he can assume.

agricultural commitments (App. 281). There can be no question but that this would make FNB Greeley a more effective competitor. As the Chief Executive Offficer of FNB Denver (principal operating subsidiary of Bancorporation) testified on deposition:

> If we can compete in Greeley with the United Banks of Colorado and the A.B.C. group, there will be competition: I'll guarantee you there will be a hell of a lot of it that is not there now, and has not been there in the past. (App. 1823-1824).

These are pro-competitive effects of the proposed affiliation.[84] They would not be lost by showing that there are others who would do as much for FNB Greeley (although Appellant has not even done this). For, if we assume that there are other interested banking organizations or groups of entrepreneurs which could similarly supply the management, the knowhow and the capital to reverse FNB Greeley's historic market decline, then *a fortiori*, we assume that they could acquire or organize and staff a much smaller bank. Their interest, if any, in the market as a focus for *de novo* entry should logically be unimpaired. If a larger organization than Bancorporation (United) and the strengthening of the dominant organization in the market (through ABC) did not chill the theoretical interest of this assumed group, why should we?

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[84] Appellant suggests that these effects would not materialize because the acquisitions of the other two leading banks in the market, which Appellant had permitted, had not occasioned such effects (GB 51-52). But the Affiliated Bankshares group had only been in existence for a few months at the time of the trial of this case and had not yet had a chance to become operational, while United subscribes to a wholly distinct policy of allowing each bank in its system to operate independently (App. 464). No test had been made in the market.

B. Bancorporation Is Itself an Effective Competitor

Appellant suggested to the Court below that one anticompetitive effect of the proposed affiliation would be an increased potential for sophisticated anticompetitive conduct in Greeley and in other markets in Colorado upon the part of "statewide" organizations to the detriment of competitive vigor in those markets (JS 17; GB 21-22, 24-25, 50 and 51).

The burden of establishing this proposition was Appellant's. As the district court pointed out, there was no "cogent evidence *which even suggests* that there is likely to be a lessening of competition." (329 F.Supp. 1016) (emphasis added). We note initially that Bancorporation is not a "statewide" institution; at the time of trial its only banking offices were in Denver. [85] As Bancorporation was sued on its first proposed acquisition, it would seem that this attack might more properly be raised against United, Western or ABC which already have subsidiaries in a number of markets. Appellant's *sole* documentation of its thesis was a memorandum (App. 1267-1268) from the Business Development Department of FNB Denver, written to recommend what steps it ought to take in response to an innovative service charge program instituted by The Colorado National Bank. The memorandum recommended that FNB Denver ought to *beat* the rate schedule of Colorado National but warned against too radical a difference. "The theory behind this was to keep from undercutting the Colorado National to such a point that we would start a service charge war, which could end in giving away all checking accounts. This is also a simple formula to explain and advertise." We do not think that

[85] Indeed 107 of the 127 communities in Colorado with banks have no holding company subsidiaries among their entrants (App. 396).

this statement reflects anything more than the rational business judgment of a vigorous competitor. Had it been the final word of FNB Denver on the subject, we would argue that it reflected a healthy competitive milieu. But it was not. The executive committee of the bank rejected the proposed rates. They chose to adopt even lower, more aggressive schedules (App. 344).

C. Competition Among Denver-Based Banks Is Intense—Competition Among Local Banks in Smaller Colorado Cities Is Not.

Appellee did not rest, however, with the negative of the proposition. Our experience in the State suggested to us that not only was Appellant's propositon without substance, but that the converse was true. We believed that FNB Denver was an aggressive bank in a tough banking market, while competition in the smaller outlying cities of the State left much to be desired. We set out to prove that proposiiton.

We reasoned that an acquisition in a new market by any organization could hardly be found substantially to lessen competition in a not very competitive market and that a vigorous competitor might be given the benefit of an assumption that its policies would have continuity and not be abandoned in the first new market it reached. Dr. Nevins Baxter, a leading banking economist, was asked to survey the business practices of banks in cities throughout the State of Colorado. Dr. Baxter and his staff interviewed over a hundred bank customers throughout the State as well as the management of a number of banks in Denver, Greeley and other communities in Colorado (App. 406, *et seq.*) They found significant differences in competitive conduct. FNB Denver was an aggressive bank; FNB Greeley was not (App. 404). Whereas Denver is an actively competitive market (App. 408), generally there is little active banking competition in smaller Colorado communities (App. 407, *et seq.*). The

Regional Administrator of National Banks testified to the same effect (App. 331).[86]

If we concede that non-competitive conduct on the part of the holding companies would have a more pervasive effect if they occupied a more prominent role in Colorado banking, must we not equally concede that vigorous competition on their part would have a more general effect if they occupied a more prominent role in Colorado, as well? And if the evidence adduced in this case clearly supports the latter conclusion of fact, ought we not opt for expansion of the holding companies rather than reject these *present* competitive advantages for fear of *possible* competitive disadvantages later?

Expressed in its simplest terms, Appellant argues that Bancorporation and its competitors ought not be permitted to take over the banks in Smalltown, Colorado, because if they conspired not to compete in Denver the effect would spill over into Smalltown automatically. But if there is now no competition in Smalltown and there is in Denver, ought not the healthy competition of Denver spill out into Smalltown, equally automatically? In an imperfect competitive environment (Colorado), competition is best served by the holding companies. If competition is our goal, how do we sustain it by suppressing holding company growth?

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[86] On page 51 of its brief, Appellant continued its distressing habit of making representations of fact barren of record support (see *e.g.*, p. 9 and pp. 64-65 *supra*) which are flatly contradicted by undisputed testimony or exhibits. Appellant blandly states "[a] single large independent bank is more likely to engage in vigorous competition if it is not one of those firms controlled by holding companies, which themselves are in similar competitive situations in many markets throughout the state." It cites earlier portions of its brief as its sole authority and begins the next sentence "therefore"!

D. Statewide "Concentration" Is Not Incompatible With Effective *Market* Competition.

Further, Appellant asserts that the net effect of permitting Bancorporation to acquire FNB Greeley would be to increase statewide concentration[87] and, as everyone knows, that is bad. Or is it? Statewide concentraton levels are at their lowest in states which permit little or no branching–averaging but 37% in the five largest organizations (App. 1670). It is highest in those states permitting statewide branching–85% in the five largest (App. 1669). On the thesis advanced at the beginning of this paragraph, the highly restricted branching states ought to have the more competitive environment. By one objective test, however, the converse is true. As this Court has observed, banking markets are essentially local. *United States v. Phillipsburg National Bank and Trust Co.*, 399 U.S. 350, 362 (1970). How do "highly concentrated" states compare with "low concentration" states in the number of competitive options available per market? All free-standing cities in the two groups of states in size categories 5-10,000; 10-15,000;

[87] There was absolutely no evidence introduced to support the proposition that the State of Colorado is a relevant market in which to assess the vigor of potential competition, nor does Appellant's brief offer any argument on the subject–beyond the assertion thereof (GB 54). We deny that the State is such a market but shall, nevertheless, refer to the theoretical statewide concentration levels as postulated by the Appellant.

Alhadeff in *Monopoly and Competition in Banking* had this to say about state concentration ratios: "Conventional concentration statistics in this field of banking are usually computed on a legalistic or political-jurisdictional base; hence, the common practice of showing concentration of banking resources on a statewide basis. Statistics computed in this manner may conceivably serve legalistic or political purposes. For economic analysis, such statistics are meaningless or worse." (p. 52 (1954)).

15-30,000 and 30-50,000[88] were tested for numbers of competitive options.

The universe encompassed more than 1,500 cities. They showed the following:

	Average Number of Banking Organizations Per City			
	5-10,000	10-15,000	15-30,000	30-50,000
(1) States with Unlimited Branching	2.21	2.90	3.46	3.83
(2) States permitting no branches or branches only in headquarters county or less	1.91	2.26	2.63	3.12
Percentages by which (1) exceeds (2)	15.7%	28.3%	31.6%	22.8%

(App. 1679).

Plainly, the number of competitive options in local markets is significantly greater in the "high concentration" states and justifies the conclusion that the higher the state (*i.e.*, non-market) "concentration" the greater the competitive options. We do not leap on this fact and

[88] Towns which are smaller than 5,000 tend to be natural monopolies; towns larger than 50,000 tend to encompass more than one market.

conclude triumphantly that an increase in statewide "concentration" in Colorado is therefore a competitive desideratum of the highest order, but we do suggest that it is at least a valid datum on Appellant's *ipse dixit* that increases in statewide "concentration" establish or presage substantial lessening of competition in particular markets.[89] Taken together with the testimony of Dr. Baxter that, as a whole, statewide banking systems tend

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[89] When a banking organization is forced to establish a branch or subsidiary supervisory department to direct a diverse geographic operation, and that department is competing with similar departments in other organizations, that competition tends to generate pressures for *de novo* entry in areas where acquisitions have occurred in order to broaden regional coverage. Consequently, the number of competing units per market grows. Appellant appears to believe that if one bars a major bank from *starting* a subsidiary or a branch system by acquisition, that organization will nonetheless assume the risks, the expense and the structural changes required to establish such a system *de novo*. Appellant has offered no evidence to support this thesis, has pointed to no organizations which have established statewide system by utilizing this route, and has offered no financial evidence why a business organization would or could be willing to assume the losses over long periods of years it would take to make such a course pay. Surely this evidentiary burden may not be disposed of so easily. What Appellant appears to be saying is that if the market structure of banking in a state can be improved by permitting the larger organizations to expand geographically via acquisition, would not it be even better to have that geographic expansion without acquisitions? There is no evidence that one would have meaningful expansion without significant acquisitions, but, more critically, if we are speaking of one competitive good outweighing another, how do we reach a substantial lessening of competition in either case? Are we not assessing the choices of a regulator and not proving a violation of a legal prohibition? If Appellant would structure an industry along an ideal formation, it ought persuade those charged with structuring that industry as to the desirability of its scheme or seek Congressional authority to substitute its judgment for theirs.

to offer a much higher order of competition than markets dominated by local interests (App. 391) and the testimony of the Regional Administrator of National Banks that FNB Denver is a competitive bank in a competitive market while FNB Greeley and Greeley generally do not meet that description (App. 331, 404), these considerations suggest that competition will be benefited by this affiliation.

After filing its proposal for acquisition of FNB Greeley, Bancorporation applied to the Federal Reserve Board for permission to acquire the First National Bank of Pueblo. On September 1, 1970, the Board rejected this application on competitive grounds (App. 1729), although the bank was not in actual competition with any Bancorporation subsidiary. Bancorporation then applied for acquisition of the Exchange National Bank of Colorado Springs. This was approved by the Board on April 1, 1971 (App. 1764). Appellant instituted suit to block the acquisition on April 28, 1971 under the Clayton Act.[90] The agreement was abandoned by the Exchange bank during the trial of this case and the suit was dismissed on August 22, 1971. An application by Bancorporation to acquire the Montbello State Bank was denied by the Board on January 4, 1971 on competitive grounds (App. 1753). Subsequently, the Administrator of National Banks rejected Bancorporation's proposed new charter in the Montbello area after protest on the ground that Montbello State was not strong enough to take the competition (App. 353). An application by Bancorporation to acquire The Security State Bank of Sterling was approved by the Board on November 3, 1970 (App.

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[90] *United States v. First National Bancorporation, Inc.*, Civ. No. C-3077, D. Colo.

1743). Appellant sued to enjoin this acquisition on December 2, 1970 under the Clayton Act.[91] This suit remains pending. An application pending during the trial of this action to acquire the financially troubled National State Bank of Boulder was consummated subsequent to the decision herein (1971 *Fed. Res. Bull.* 613). National State thus became the first bank ever acquired by Bancorporation.[92]

IV.

SECTION OF THE COUNTRY

Appellant contended below that the effect of this merger may be measured in two "relevant geographic markets," Greeley and a "Greeley area" (Complaint ¶ 17(a), App. 8) generally outlined in the Complaint. The district court accepted the second such market.[93] We believe that here the court below erred. There were six banks in Greeley and two in the "Greeley area" outside the city, at Eaton and La Salle, farming towns of less than 1,500 in population located about 5-8 miles north and south of Greeley, respectively.

This Court has previously addressed itself to the question of "Section of the Country" in actual com-

[91] *United States v. First National Bancorporation, Inc.*, Civ. No. C-2754, D. Colo.

[92] Appellant admits that even this single acquisition would have been blocked but for the extreme condition of the bank. "In the latter instance the government did not bring suit because the acquired bank was in serious financial difficulties." (GB 7, n. 9).

[93] The opinion of the district court suggests not that it rejected the first, Greeley, market, but rather that it considered its alternatives to be Weld County or the "Greeley Area" (329 F. Supp. at 1012-1014) and that it never reached the question whether Greeley was a market.

petition cases both in and out of banking. In *Phillipsburg*, Mr. Justice Brennan stated:

> In determining the relevant geographic market, we held in Philadelphia Bank, *supra*, at 357 . . . that "[t]he proper question to be asked . . . is not where the parties to the merger do business or even where they compete, but where, within the area of competitive overlap, the effect of the merger on competition will be direct and immediate . . . . This depends upon the 'geographic structure of supplier-customer relations.'" More specifically we stated that "the 'area of effective competition in the known line of commerce must be charted by careful selection of the market area in which the seller operates, *and to which the purchaser can practicably turn for supplies.*'" [Court's elisions, Court's emphasis].
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> * * *
>
> Commercial realities in the banking industry make clear that banks generally have a very localized business . . . .
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> * * *
>
> The localization of business typical of the banking industry is particularly pronounced where small customers are involved.[94]

In a potential competition case there is no "area of effective competition." Rather we must look to that area (1) in which the institution to be acquired is an effective competitor and (2) where alternatives are themselves effective competitors of the institution to be acquired. Thus, in the instant case, Appellant included in its second

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[94] *United States v. Phillipsburg National Bank & Trust Co.*, 399 U.S. 350, 362-363 (1970).

market area (the "Greeley area") communities at distances ranging from 5 to 10 miles from Greeley in Weld County, but excluded from its market area the "rest" of Weld County. However, 5 bank presidents from banks situate in the excluded portion of the county testified that the Greeley banks were "effective competitors" in their market area[95] and the evidence showed that the Greeley banks made about half of the loans in the excluded area (App. 421). It was Appellees' view that Greeley banks were "effective competitors" throughout Weld County. We would agree with Appellant, however, that the "rest" of Weld County is not a part of the relevant geographic area for measuring an acquisition of a Greeley bank by a banking organization not in actual competition with it. For although the Greeley banks–at the county seat, the only community in the county with a population of 2,500 or more–were "effective competitors" in other parts of the county, there was no evidence to show that banks in the excluded portion of Weld County were effective competitors of the Greeley banks. The fact that a reasonable portion of the people in Ault might be willing to choose a bank in the County Seat does not prove the converse that the citizens in the County Seat would be willing to choose to bank in Ault.

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[95] Weigand, R. 99-100; Coon, R. 103-5; Davis, R. 107-8; Ashley, R. 115; Burns, R. 118-9.

But by the same token, *Appellant* had the burden of establishing his "section or sections of the country." [96] Appellant made no effort to show that a bank located in Eaton or La Salle was an effective alternative to a customer located in Greeley. Appellant did not call or depose any official of either bank, nor did he obtain statistics from them as to their customers' place of residence. Having failed to take up its burden to demonstrate that an Eaton or La Salle bank was an "effective competitor" to whom a Greeley "purchaser can practicably turn for supplies,"[97] we submit that Appellant failed to establish his second "relevant geographic market," the "Greeley Area," and the district court erred in so finding. On the other hand, there was evidence introduced at the trial to show that at least two of the other Greeley banks had approximately the same customer geographic mix as did FNB Greeley (App. 303, R. 781). These principal Greeley banks may then fairly be said to be in effective competition with each other.

The appropriate geographic market within which to measure the acquisition of FNB Greeley by an organization not in direct competition with FNB Greeley is the City of Greeley. Should this Court determine that banks in any community effectively served by a Greeley bank

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[96] Judge Weinfeld in *United States v. Bethlehem Steel Corp.*, 168 F. Supp. 576, 583 (S.D. N.Y. 1958) stated: "In broad outline, the essential issues which the Court is called upon to determine, and *as to which the Government has the burden of proof*, are: the line or lines of commerce and the section or sections of the country in which the effects of the merger may be felt—in other words, the relevant market with respect to both products and geographic areas. . . ." (emphasis supplied).

[97] *Tampa Electric Co. v. Nashville Coal Co.*, 365 U.S. 320, 327 (1961).

are reasonable competitive alternatives (without evidence of their converse effectiveness) which ought be considered in assessing the impact of this affiliation, then the appropriate *second* "Section of the Country" or "relevant geographic market" ought be Weld County and not some portion thereof ascertained by measurements of imperceptible gradations.

V.

LINE OF COMMERCE

Appellant contends that "[i]t is agreed that . . . the relevant product market is . . . commercial banking" (GB 4). We do not know who has "agreed" to this proposition, but it is not the Appellees herein. Throughout this case, Appellees have consistently denied that "commercial banking" is *a* line of commerce much less *the* line of commerce (Answer, ¶ 5, App. 10, App. 423-429, Defendants' Trial Brief 67-83, Defendants' Post Trial Brief 4-6).[98] Appellant bore the burden of proving this question of fact.[99] He did not fail in this burden, he refused to essay it. Appellant contended that the conclusions of this Court in other cases on other factual records, proved this factual question for all time, in all cases. Appellant consequently refused to offer *any* evidence on the question.[100]

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[98] We append relevant portions of our Trial Brief below.

[99] See n. 96, *supra.*

[100] App. 423. On several occasions, government counsel argued in effect, under this Court's *Philadelphia* and *Phillipsburg* decisions, for a form of collateral estoppel against the offer by Appellees of any evidence to establish a different line or lines of commerce (App. 423, 497-498; R. 1298).

We believe that Appellant had the affirmative of establishing his market on this record and that on his failure to establish a fundamental predicate of his case, that case ought to fail. In accepting reference to other findings in other cases, we believe the district court was in error. We take it to be settled law that a plaintiff has the burden of establishing his alleged line of commerce. Appellees offered testimony (App. 423-429) briefs (see Appendix) and exhibits (App. 1794-1800) in support of a different line. Apparently confusing *stare decisis*, which makes opinions of this Court on questions of law binding on all courts, with *res judicata*, which also can bind the parties on questions of fact, Appellant rested on the findings of this Court in *Philadelphia Bank, supra, Nashville*[101] and *Phillipsburg, supra,* although five separate district courts,[102] including Chief Judge Clary on whose opinion this Court's *Philadelphia Bank* judgment was based, have subsequently made contrary findings.

We do not ask this Court to find as a fact what the appropriate line or lines of commerce may be in this case. Rather we contend that Appellant, having failed to establish an essential predicate of his case, ought have this appeal dismissed for failure of proof.

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[101] *United States v. Third National Bank in Nashville*, 390 U.S. 171 (1968).

[102] *United States v. Crocker-Anglo National Bank*, 277 F. Supp. 133 (N.D. Cal. 1967) (Judge Zirpoli), *United States v. First National Bank of Jackson*, 301 F. Supp. 1161 (S.D. Miss. 1969) (Judge Nixon), *United States v. First National Bank of Maryland*, 310 F. Supp. 157 (D. Md. 1970) (Judge Kaufman), *United States v. Idaho First National Bank*, 315 F. Supp. 261 (D. Idaho 1970) (Judge Boldt), and *United States v. Provident National Bank*, 280 F. Supp. 1 (E.D. Pa. 1968) (Chief Judge Clary).

VI.

APPELLANT'S VERTICAL CASE

The Federal Reserve Board spoke persuasively to Appellant's vertical integration arguments in its approval of the proposed affiliation of the Exchange National Bank of Colorado Springs with Bancorporation (abandoned, after suit):

> The Board has considered a comment by the Department of Justice, which concludes that the proposed acquisition would have a significantly adverse effect on competition on the grounds, among others, that consummation of the acquisition might eliminate a source of correspondent services for unaffiliated Colorado Springs banks. . . .
>
> As regards the possible loss of correspondent services, the argument appears to be premised on the theory that the affiliation of a Denver bank with a Colorado Springs bank will reduce the number of correspondents for the other banks in Colorado Springs, in part because these banks would be unwilling to entrust confidential or business data to an affiliate of a competitor. However, correspondent services vary in character and importance, and the majority could be equally well performed by banks outside the areas in which the Justice Department alleges anticompetitive effects. Banks in Colorado Springs and in the State have more "upstream correspondents" outside than within the State. Portfolio and management advice, loan participations, and miscellaneous specialized services could be furnished by these out-of-State correspondents. Check processing may be done by banks with computer facilities, at service bureaus or at the Federal Reserve in Denver; no confidential information is involved which might preclude a bank from seeking the services of an affiliate of a competitor.

Moreover, the argument relies, in part, at least, on the premise that Applicant's Denver subsidiary, a leading correspondent bank in the State, would be less desirable or less available as a correspondent for banks in the Colorado Springs area if it had an affiliate in that area. A difficulty with the argument is that it would appear applicable, if valid in any case, to any proposal through which the Denver bank would obtain a Colorado Springs affiliate, without particular regard to the size or market position of such affiliate. More broadly applied, it argues against permitting a large correspondent bank to become a subsidiary of a holding company, or in any other way expand into markets in which are located banks for which it serves, or could serve, as correspondent. The Board is not aware of any evidentiary basis for the premise on which the argument is based, and, in the absence of a demonstration that such expansion in fact, rather than in theory, leads to a curtailment in the availability of essential correspondent services, is unwilling to adopt that conclusion as a principal basis for curtailing expansion which is likely to result in better service to the communities affected.[103]

A. Appropriate Geographic and Product Markets

As indicated earlier, the backward vertical integration argument was abandoned before trial (p. 14, *supra*). The forward vertical integration aspect of Appellant's novel claim also suffers from several major debilities. First, a vertical integration case is cumulative. The evil, if evil there be, arises from the sum of what has gone before.

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[103] App. 1770-1771.

Thus if this affiliation ought be interdicted because of foreclosure, all subsequent affiliations having the same effect, *a fortiori*, ought be interdicted. Appellant has not considered itself constrained by the logic of its own position.[104]

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[104] Appellant contends that, taken together with the previous acquisitions (by others), the acquisition of FNB Greeley in reasonable probability would substantially lessen competition, presumably by reducing the pool of potential recipients of correspondent services offered by Bancorporation's competitors to an unacceptable level—the "drying up" argument. Appellees have no quarrel with this theory. However, while this suit was under active contemplation or subsequent to its filing, Appellant has permitted (or has indicated that it will permit) the acquisition of six other banks by United Banks of Colorado and Colorado National Bankshares, two holding companies whose prior acquisitions allegedly, in material part, formed the predicate for a violation in our initial acquisition. These new acquisitions were: Lakewood Colorado National Bank (by Colorado National Bankshares, 11/1/69), Villa National Bank (by United Banks of Colorado, 4/8/70), Mesa National Bank (by United, 12/21/70), Bank of Glenwood (by Colorado National, 3/18/71), First National Bank of Sterling (by Colorado National, 11/22/71), and Colorado Commercial Bank (by United, 1/21/72) (*Moody's Bank & Finance Manual*, 1972). These six banks had year-end 1970 combined deposits of $56 million (App. 1337-1370). Appellant justifies its choice by observing that these banks are *smaller* than FNB Greeley and therefore their acquisition is not as damaging as FNB Greeley's would be. Like most of the *ipse dixits* upon which this case is predicated, no proof is offered on a premise which offends simple reason. If a bank needs to turn to another for services, it is because it cannot economically perform them itself. For many services, the larger the bank, the smaller the need. If the loss of the business of FNB Greeley would substantially lessen competition among offerors of correspondent services, then the loss of the business of the six banks whose acquisition Appellant has approved similarly would substantially lessen competition to an even greater degree (since, using total deposits as a proxy, they are, combined, a more significant portion of the industry than is FNB Greeley—$56 million to $39 million).

Second, Appellant claims that FNB Greeley's acquisition would remove from the pool of potential Colorado recipients of correspondent services offered by the six enumerated banks a recipient (FNB Greeley) accounting for 1.2% of such services (JS 24).[105] This percentage was arrived at by doing extreme violence both to the numerator and to the denominator.

To limit our inquiry to six enumerated Denver banks (the denominator) we must conclude that "correspondent services" are sold in "packages" (yet, each Colorado bank reports an average of 5.4 correspondents (App. 1331-1336, 1396).[106] We must also conclude that other offerors of "correspondent services" are in some way artificially inhibited in their ability to compete against the six enumerated Denver banks for each of the "packaged services" (yet, the evidence showed that 15 organizations sold data processing services to banks in Colorado (App. 359); that the market for Federal Funds is a national one, with locational advantages in West Coast banks, and with California and New York taking the bulk of the business (App. 356-357); that municipal bonds are sold by brokerage houses to banks throughout the country (App. 357-358); that the market for credit card sales and service is a national one (App. 358); as are those

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[105] The district court did not, as Appellant suggests, "accept this figure arguendo" (GB 16, n. 19). The district court rejected the figure out of hand. The district court found that the appropriate section of the country was the 5-state area regularly traveled by the Denver banks, in which the affected commerce of FNB Greeley was two-tenths of one percent (329 F. Supp. at 1019 and n. 13).

[106] This figure understates actual correspondent relationships. Habitually, banks do not report all of their correspondents (App. 502).

for the sale of pension and profit plans and the purchase of overline loans (App. 354, 358-359); that the largest single offeror of check clearing services is the Federal Reserve Bank (App. 355)).

To further limit the denominator by excluding non-Colorado banks served by the "Denver Six" is to ignore that FNB Denver and its local competitors receive 35-40% of their gross correspondent balances (and probably a larger portion of net balances) from banks outside Colorado (App. 1301); that more than half their correspondent accounts come from outside the State of Colorado, in Kansas, Nebraska, Wyoming, New Mexico, and part of Montana, Idaho and Texas (App. 440). Appellant excludes from its denominator any Colorado bank which is an affiliate of one of the "Denver Six." Although Appellant assumes that such affiliations are already beyond competitive reach, they are, nonetheless, part of the universe of banks in the market asserted and must logically be part of our base. This assumption, moreover, however central to Appellant's underlying thesis, is erroneous. FNB Denver is a principal supplier of correspondent services to banks in Colorado which are subsidiaries of other holding companies having a subsidiary among the "Denver Six" (*e.g.*, Western Bancorporation and First Colorado Bankshares) (App. 346-349). FNB Greeley, now three years after the agreement to affiliate, still uses three of the "Denver Six" among its principal correspondents (App. 884).[107]

[107] Similarly, Colorado National Bankshares' Lakewood subsidiary has a correspondent relationship with Western's American National Bank in Denver. The Boulder subsidiary of United Banks of Colorado has a correspondent relationship with Central Bank and Trust in Denver, as do United's Pueblo and Grand Junction subsidiaries. Furthermore, the Englewood and Lakeside subsidiaries of First Colorado Bankshares have correspondent accounts with the lead bank of Colorado National Bankshares in Denver. (DX 16).

Moreover, the statistics are hopelessly compromised by he measuring rod—gross demand deposit accounts naintained by one bank at another. Most correspondent ervices, *e.g.*, data processing, purchase and sale of nunicipal bonds, credit cards, Federal Funds, commercial oans, and pension and profit sharing plans are paid for y fee or cash percentages on gross prices (App. 59-361). The only significant service which is tradition-lly (though by no means exclusively (App. 363-364)), aid for by deposit balances[108] is check clearing (*ibid.*). Gross balances are not a proper measurement of even this ype of correspondent service (App. 361-362, 440), as is pparent from the FNB Greeley account. (See App. 804, 364-365.) When bank A or the Federal Reserve ank clears bank B's checks for it, bank B is given a redit for deposits which have not yet cleared through he bank of origin. This is called "float," and of course eflects no income to the clearing bank (App. 364-365). f bank B maintains a $1.1 million demand deposit ccount with bank A (or taps its resources with the ederal Reserve Bank), only the difference between float" and gross balances represents usable balances for ank A against which it can charge its processing costs nd earn its profit. Thus FNB Greeley had an average alance of $1.1 million at FNB Denver in 1970, but had n average float of $800,000 (App. 364-365). It is only gainst the net balances ($300 thousand) that FNB enver could charge its costs and measure its profits *ibid.*). Thus, it is only with respect to *net* balances or to

[108] The balance is only a beginning figure. A monthly analysis f account profitability is run, and if the account is not profitable, bill is sent quarterly. A bank running consistently at a loss may ncrease its balances or continue paying in cash—FNB Denver is ndifferent (App. 363-364).

profits that we can measure that portion of the "Denver Six" business which would be "usurped" (*arguendo*) by the affiliation. Since we have no statistics in this record from which we can measure net balances, we are left to measure the impact of the proposal on net profits of the "Denver Six." Account analysis of the FNB Greeley account with FNB Denver in 1970 showed a net operating profit of $5,000 (or $2,500 after taxes) (App. 1804, 364-365). Net income of Bancorporation after taxes was $5.4 million (*Moody's Bank & Finance Directory, 1971*). Thus the contribution of the FNB Greeley account to the profitability of Bancorporation was five one-hundredths of one percent. The profit "foreclosure" among the "Denver Six" was one-one-hundredths of one percent.[109]

B. Competitive Impact

That the competitive effect of this proposed affiliation upon the offerors of correspondent services—even in Appellant's absurdly truncated geographic and product

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[109] 1970 net income and year-end deposits (in Colorado) of the "Denver Six" were as follows:

Holding Company	Net Income	Deposits (000)
United Banks	$ 5,532,621	$645,370
FN Bancorporation	5,411,800	589,633
Colorado National	2,465,393	315,040
Western Bancorporation*	72,846,636	221,547
Central Bank & Trust Company	2,023,172	236,938
First Colorado Bankshares	1,143,272	146,926

(*Moody's Bank & Finance Manual*, 1971; App. 1371).

*To find that portion of Western's earnings allocable to Colorado we assumed that it earned, relative to its Colorado competitors, in the same proportion that it had a deposit base in Colorado. This gave us a figure of $1,898,658 or total "Denver Six" Colorado earnings of $18,474,916.

markets—would be *de minimis* is demonstrable in a number of ways:

(1) it would foreclose (*arguendo*) one-one hundredth of one percent of the earnings of the affected institutions (App. 1804);

(2) FNB Denver has 1,452 employees, its correspondent business occupies part of the energies of 15 of them (App. 353).

In addition, despite the alleged foreclosure, two new offerors of correspondent services have entered the lists since this affiliation was announced (First Colorado Bankshares (App. 205) and ABC (App. 163)).

Finally, there has been no "drying up" of customers. To the contrary, in 1961, there were 159 potential bank customers for correspondent services in Colorado, with combined deposits of $1.1 billion. At year end 1970, there were 211, with combined deposits of $2.3 billion (App. 435-436, 1660, 1661).

The relevant "line of commerce" or "product market" is, in any case, "large bank services," not the *way* in which they are obtained. Correspondent banking is a method of securing the services of big city banks in smaller communities (App. 429). As a method, it competes with the methods of disseminating those same services entailed in branching or membership in holding companies.

Correspondent banking is, to the big city bank, a money making tool, as is branching and structuring holding companies. Their push in any of these directions must arise from their conclusion that that one is a more effective, efficient (*i.e.*, profitable) method of disseminating their services. We submit that the various methods of offering large bank services to smaller communities

should be permitted to compete freely—the more effective methodologies receiving the dominant share—the core of competition. Appellant's fears that the permanency of holding companies and branching relationships would drive out the correspondent relationships may be translated from the vertical case alleged to a typical horizontal concentration argument, to which portion of this brief the Court is respectfully referred.

CONCLUSION

Appellant's case is a simple one. The facts are not disputed. Bancorporation is one of the larger banking organizations in Colorado. It had no offices outside the immediate Denver area. FNB Greeley, the 1,385th largest bank in the United States, with 0.009 percent of total commercial bank deposits, is the second largest bank in Greeley. Appellant contends that the affiliation of FNB Greeley and Bancorporation would, therefore, in reasonable probability substantially lessen competition in Greeley.

The number of banking organizations in Colorado has been increasing sharply over the last ten years. The share of State deposits controlled by the 5 largest banking organizations has decreased. The parties are in agreement that a limited number of banks per community is a natural structure for banking. Greeley has more or as many banking organizations as 99%+ of communities in the United States which are of similar size. There is then no demonstrated need for additional entrants. But if no more entrants are needed, then the disappearance of a potential entrant, even if it were the only one, could not be a substantially anticompetitive event. There are, in Colorado, some 54 groups of entrepreneurs distinct from the larger holding companies who have organized new

banks in the past 10 years. The resources and the technical personnel associated with the organization of a new bank in Greeley are on an order of magnitude associated with the organization of the previously stated 54 banks. There is thus no *need* to have Bancorporation among this broad base of potential entrants. Potentiality, further, implies capacity and the evidence was persuasive that the regulatory agencies will not let further banking organizations into Greeley in the foreseeable future.

Even if the concentration of state deposits in the hands of the largest banking organizations was up instead of—as it is—down, the relevant consideration is competition in banking markets, which are local. National patterns show a marked advantage in the number of competitive options in the states with the highest statewide concentration over those with the lowest statewide concentration.

Specifically, FNB Greeley has been a largely ineffective bank as evidenced by its sharply declining share of Greeley deposits and an over-emphasis on a single class of customers. Bancorporation has offered a concrete program to reverse this trend and the evidence shows that its principal subsidiary is itself a hard competitor. If the evidence shows anything as to Greeley, it shows a prospect of *increased* competition resulting from the affiliation. Both bank supervisory agencies reviewing the proposal considered this to be a distinct plus in their consideration of the affiliation.

It is, of course, *possible* that Bancorporation might someday be moved to seek *de novo* entry into Greeley; it is also *possible* that market conditions will have so changed as to make the regulatory agencies amenable to such a request; it is *possible* that the scores of other potential entrants might, for one reason or another, have

passed from the scene; and it is *possible* that Greeley will, in the reasonably foreseeable future, grow so rapidly that a need for more than five banking organizations could arise and become so critical as to make the absence of a sixth potential entrant a substantially anti-competitive event. Very little is excluded from the realm of the possible.

If this Court is inclined to construe potential competition in banking within the ground rules previously laid down, then Appellees respectfully suggest that the undisputed facts here fall so far outside those boundaries that this appeal ought be dismissed out of hand. Even if the Court should be inclined to explore new frontiers of the law, we believe that the wholly negative contours of this case are entirely inappropriate to that purpose. If an acquisition is to be struck down when there is no competition affected, no reasonable likelihood or need for developing new competition, no trends towards an undesirable concentration and a fair prospect of an improved competitive structure, what inhibitions can there be on a wholly arbitrary discretion in Appellant—a carte blanche across the broad spectrum of industry? No such Congressional purpose is discernible in the legislative history or the judicial interpretations of the Clayton Act. For these reasons we urge the Court to affirm the judgment of the Court below.

Respectfully submitted,

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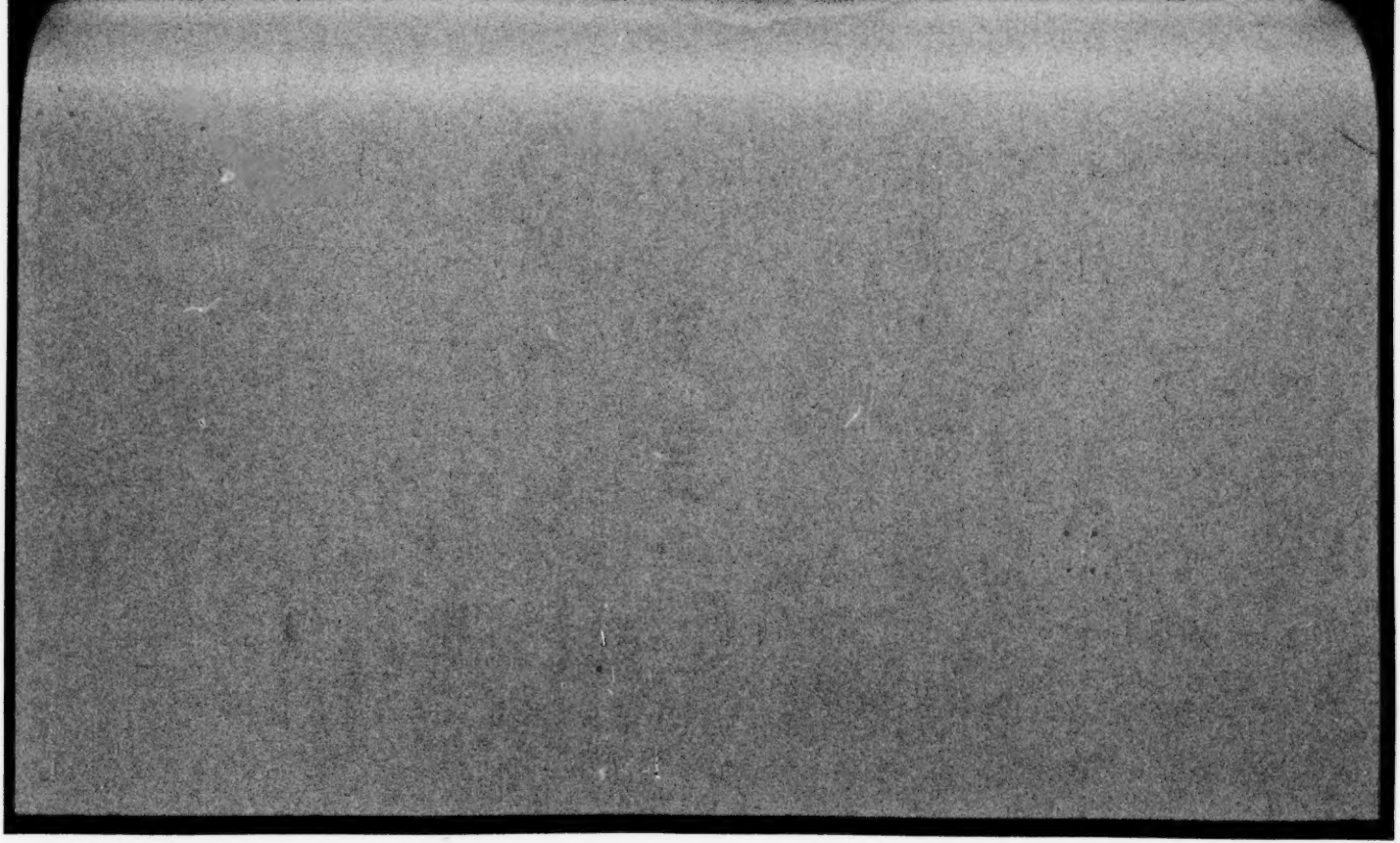
July 1972

APPENDIX



APPENDIX*

Line of Commerce

Only commercial banks offer demand deposits. Other passbook savings institutions offer savings accounts (Savings & Loans, Credit Unions, Mutual Savings Banks, Industrial Banks, etc.). Other institutions offer mortgages (insurance companies, S & L's, federal agencies, individuals, etc.); installment loans (credit unions, finance companies, business organizations, credit card companies, etc.), and the like . . .

. . . Plainly, commercial banks compete with S & L's, credit unions and the like for the savings dollar. Equally, commercial banks compete with, e.g., data processing centers and mutual funds as a service organization and with finance companies, credit unions, insurance companies, etc., as a source of lendable funds. The transfer [demand deposit] function is, we concede, relatively unique and warrants treatment as a separate line of commerce. But only in this single respect may we examine the competitive effects of a proposed bank merger in isolation from other financial institutions. The effect of the proposed merger on the nature, kind and quality of competition in transferring funds is all we concede is insulated. If examination proves this kind of activity to be relatively non-competitive, relatively immune to effects of change in the number of suppliers, then the effects of the merger *in that line of commerce* must be measured by different standards than would govern something more volatile like the market for savings dollars. There, of course, the universe (the total number of competitors) is much larger than commercial banks alone and the effect of the merger must be measured in that greater context.

*Pages 67, *et seq.*, of the Trial Brief of Appellees herein.

Plaintiff places much reliance upon the unique congeries of services offered by commercial banks. We deny the relevance of any representation that no other financial institution duplicates the precise combination of services offered by commercial banks. In the science of semantics, words are meant to differentiate, to particularize concepts. If another kind of financial institution offered the same congeries of services as does a commercial bank it would not be another kind of financial institution, it would be a commercial bank. By the same token, a commercial bank is not a life insurance company because it offers a different combination of services–it is something else. But that the combinations are different does not mean that the different financial institutions do not compete in particular functions. A credit union competes with, *inter alia,* commercial banks for savings dollars and for consumer loans. This is a truth. This truth is not lessened in any way by the fact that a credit union is not a medium for the transfer of funds nor, usually, a data processing service organization. But the Clayton Act was not directed toward *combinations* of services. What *combinations* are duplicated or unduplicated are irrelevant. The Clayton Act concerns itself with *competition.* The issues of this suit relate to whether banks *compete* with other institutions in the offering of services, service by service, and line of commerce by line of commerce.[110]

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[110] Note, for example, the language of the Supreme Court in *United States v. Continental Can Company,* 378 U.S. 441 (1964).

> It is quite true that glass and metal containers have different characteristics which may disqualify one or the other, at least in their present form, from this or that particular use. The competition between metal and glass containers is different from the competition between the can companies themselves or between the products of the different glass companies.

Defendants deny that "Commercial Banking" is *the* relevant line of commerce in this case because we contend that "Commercial Banking" is not *a* line of commerce. A line of commerce, we take to mean a kind of business activity in which the products or services are functionally interchangeable–i.e., can be used for the same purpose, in which purchasers are willing to substitute one for another. "If price changes of one product affect the sales of another, such responsiveness is indicative of the competition of the products" (*United States v. Charles Pfizer & Co.*, 246 F. Supp. 464, 468 (1965). Is there "cross-elasticity of demand between products," in the words of the Supreme Court (*United States v. E.I. duPont Nemours & Co.*, 351 U.S. 377, 1956–The *Cellophane* Case). As the Court pointed out in that case, plaintiff bears the burden of establishing its product market, a factual conclusion which is established neither by an *ipse dixit* in the Complaint nor by reference to fact

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These are relevant and important considerations but they are not sufficient to obscure the competitive relationships which this record so compellingly reveals.

Regardless of which industry may have the upper hand at a given moment, however, an intense competitive battle is being waged both by the industry trade associations and by individual container manufacturers. In the light of this record and these findings, we think the District Court employed an unduly narrow construction of the "Competition" protected by § 7 and of "reasonable interchangeability of use or the cross-elasticity of demand" in judging the facts of this case. *We reject the opinion below insofar as it holds that these terms as used in the statute or in Brown Shoe were intended to limit the competition protected by § 7 to competition between identical products. Where the area of effective competition cuts across industry lines, so must the relevant line of commerce; otherwise an adequate determination of the merger's true impact cannot be made.* (emphasis supplied).

findings in other cases. Commercial banking is not a product or a service, it is a combination of products and services, each of which forms portions of disparate lines of commerce. The competitive effect of this merger must be tested by plaintiff in each such market and violation alleged as to that line or those lines where competition is or would be substantially lessened. It is a bootstrap operation pure and simple to say that commercial banking is unique and therefore any normal business activity–say, lending–engaged in by commercial banks is insulated from competition with other lenders.

Obviously, there are a great number of alternative outlets for demand for consumer and commercial finance business; e.g., in the City of Greeley there are two savings and loans, an office of the Production Credit Association, the Federal Land Bank, finance companies, International Harvester's credit arm, General Motors Acceptance Corporation, Ford Motor Company credit plans, and several credit unions.

Plaintiff relies exclusively on this issue upon the *Philadelphia National Bank*[111] case which was followed in *Nashville*[112] where the *District Courts* had found commercial banking to be the appropriate "line of commerce" and in which finding the Supreme Court concurred, and in *Phillipsburg*[113] when the District Court had refused to follow *Philadelphia*. The validity of the conclusion reached on this question in these cases

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[111] *United States v. Philadelphia National Bank, et al.*, 374 U.S. 361 (1964).

[112] *United States v. Third National Bank in Nashville, et al.*, 390 U.S. 171 (1968).

[113] *United States v. Phillipsburg National Bank, et al.*, 399 U.S. (1970).

nust be viewed in light of the fact that Chief Judge Clary of the Eastern District of Pennsylvania, who had made the initial ruling that commercial banking was a "line of commerce" in *Philadelphia*[114] took precisely the opposite view on a more complete record in *Provident*.[115]

In all, subsequent to the selection by the Supreme Court of "commercial banking" as a line of commerce in the *Philadelphia National Bank* case, six separate and distinguished courts have rejected this factual conclusion.[116] Indeed, Mr. Justice Brennan's proposition, that such advantages as he judged inhered in the demand deposit immunized the otherwise non-exclusive business activities of commercial banks from effective competition, had little support in the record before him. His citation to the record in support of this conclusion was to the testimony of W. Carlton Harris, a Wharton School Professor of Finance who testified:

> We have had in Philadelphia for 50 years or more the mutual savings banks offering ½ per cent and in some instances more than ½ per cent higher interest than the commercial banks. Nevertheless, the rate of

[114] 201 F. Supp. 348, 361 (E.D. Pa., 1962).

[115] *United States v. Provident National Bank*, 280 F. Supp. 1 (E.D. Pa., 1968).

[116] The three-judge court in *United States v. Crocker-Anglo National Bank*, 277 F. Supp. 133 (N.D. Calif., 1967), Chief Judge Clary in *United States v. Provident National Bank*, 280 F. Supp. 1 (E.D. Penn., 1968), Judge Nixon in *United States v. First National Bank of Jackson*, 310 F. Supp. 1161 (S.D. Miss., June 27, 1969), Judge Shaw in *United States v. Phillipsburg National Bank & Trust Co., et al.*, 306 F. Supp. 645 (D. N.J., 1969), Judge Kaufman in *United States v. First National Bank of Maryland*, 310 F. Supp. 157, D. Md. 1970 (D. Md., January 13, 1970) and, judged most recently, Judge Boldt in *United States v. Idaho First National Bank*, 315 F. Supp. (D. Idaho, 1970).

increase in savings accounts in commercial banks *has kept pace with and in many of the banks exceeded the rate of increase of the mutual banks* paying 3½ per cent. . . .

I have made some inquiries. There are four banks on the corner of Broad and Chestnut. Three of them are commercial banks all offering 3 per cent, and one is a mutual savings bank offering 3½. As far as I have been able to discover, there isn't anybody in Philadelphia who will take the trouble to walk across Broad Street to get ½ of 1 per cent more interest. If you ask me why, I will say I do not know. Habit, custom, personal relationships, convenience, doing all your banking under one roof appear to be factors superior to changes in the interest rate level. *United States v. Philadelphia National Bank*, 347 U.S. 321, n. 34 (1963).

This analysis is demonstrably false, and, we submit, the conclusion of the Court must be read in light of the facts that exist in the real world but which, for some reason, were never put into the record of the *Philadelphia* case.

Let us consider the *objective* facts regarding the deposit structure of commercial banks in that very market when compared to their savings competitors. Between 1950 and 1964 the savings deposits of Philadelphia SMSA commercial banks rose 765 million dollars. At the same time, the savings deposits of Philadelphia mutual savings banks rose 1,271 million dollars and Philadelphia savings and loan institutions in the shorter period 1952 to 1964 grew 1,631 million dollars. Thus, competitive institutions' savings dollars grew at *four times* the rate of commercial banks despite the fact that the number of points served by commercial banking offices has always substantially exceeded the number of

nts served by S & L's and MSB's.[117] This disastrous tive performance of commercial banks is not con- ent with the understanding of Professor Harris, and uires that the conclusion of Mr. Justice Brennan be valuated on a more complete record.

The contrary conclusion of subsequent courts sidering the question is lent dramatic support by the lit squeeze of 1966. In that year, changes in Regu- on Q[118] permitted commercial banks to equal and eed the interest rates available from mutual savings ks and savings and loan institutions. The impact of se changes on deposits of the latter group was strophic. With long term fixed interest obligations a high deposit-loan ratio, the very existence of the ustry was imperiled. Even with a return to stability in

[117] On June 29, 1968, there were 69 Mutual Savings Bank es, 323 savings and loan offices and 613 commercial banking es in the Philadelphia SMSA. Source: FDIC and FHLBB ey of Deposits and Offices of even date.

[118] The Federal Reserve Board regulation governing interest which may be paid by commercial banks on time money. l December 6, 1965, commercial banks could pay no more 4% on passbook savings and 4½ on certain types of time ey. On that date, banks were permitted to pay 5½% on all time s other than passbook. This compared favorably with the imum savings and loan rate of 5¼ and soon resulted in tantial deposit losses by the savings and loan institutions. To ve the situation, the Federal Reserve Board, on July 20, 1966 ced the commercial bank maximum rate on open maturity uments to 5%, retaining the 5½% only on fixed maturity time uments. The device was ineffectual and on September 26, , the Fed was forced to reduce the rate on single maturity instruments smaller than $100,000 to 5%. At the same time, Federal Home Loan Bank Board authorized the S & L industry sue a competitive time instrument to the certificate of deposit d by commercial banks. The crisis subsided.

the Fall of 1966, savings and loan institutions net inflow in the Philadelphia SMSA was down 90% in 1966 from 1965 (193 million to 18 million) and mutual inflow was down 80% (195 million to 34). It was the experience of the industry that a small change in the "price" of one "product" brought about a substantial shift from another product–a "cross-elasticity of demand" confirmed when a return to the old "price" produced a similar shift back to the first "product" (1967 net inflows equalled or exceeded 1965). This is precisely the formula established by the Supreme Court for determining a relevant product market in antitrust cases. Consider the following language:

> An element for consideration as to cross-elasticity of demand between products is the responsiveness of the sales of one product to price changes of the other. If a slight decrease in the price of cellophane causes a considerable number of customers of other flexible wrappings to switch to cellophane, it would be an indication that a high cross-elasticity of demand exists between them; *that the products compete in the same market.* (Emphasis supplied.) *United States v. E.I. dePont de Nemours & Co.*, 351 U.S. 377, 400 (1956).

While a substantial argument can be made that commercial banks compete with *all* media of discretionary personal investments–stocks, mutual funds, whole life, single payment and fixed payment life insurance and the like–we will consider here only the competition between commercial banks, mutual savings banks, savings and loans and credit unions, what the Statistical Abstract of the United States calls "Interest Bearing Deposits."

For every product, substitutes exist. But a relevant market cannot meaningfully encompass that infinite range. The circle must be drawn narrowly to exclude any other product to which within reasonable variations in price, only a limited number of buyers will turn; in technical terms, products whose 'cross-elasticities of demand are small.'

Times - Picayune Publishing Co. v. United States, 345 U.S. 594, 612, n. 31 (1953).

That the relevant "line of commerce" is at least this oad is strikingly demonstrated by the following tables. will be noted that in the nation as a whole, and in iladelphia in particular, the share of total deposits held commercial banks *declined* during the precise period en the *Philadelphia* Court was concluding that com-rcial banks were relatively immune to the competition other savings institutions. And the reversal of that nd came only when commercial banks adopted the tificate of deposit in the mid-1960's as a competitive trument to combat the previously higher interest rates ng paid by the other institutions.

DEPOSITS IN U.S. COMMERCIAL BANKS AND OTHER PASSBOOK SAVINGS INSTITUTIONS, SELECTED YEARS, 1940 - 1969
(In Millions of Dollars)

	1940	1945	1950	1955	1960	1965	1969
Commercial Banks	65,750	151,176	156,100	193,200	230,500	333,800	440,000
Mutual Savings Banks	10,660	15,385	20,025	28,182	36,343	52,443	67,086
Savings and Loans Associations	4,322	7,365	13,992	32,142	62,142	110,385	135,489
Credit Unions	212	367	884	2,447	4,981	9,221	13,680
Total Deposits	80,944	174,293	191,001	255,971	333,966	505,849	656,255
Commercial Banks (%)	81.22%	86.73%	81.73%	75.48%	69.02%	65.99%	67.05%
100 Largest Commercial Banks	37,637	72,538	71,690	90,498	109,024	160,783	229,359
100 Largest Commercial Banks (%)	46.49%	41.61%	37.53%	35.35%	32.64%	31.78%	34.95%

Source: Tables 651 and 670, United States Statistical Abstract, 1970. (Individual listed sources for data prior to 1950.)
American Banker, shares of 100 largest commercial banks.

NEW SAVINGS, WITHDRAWALS, AND NET INFLOW FOR FSLIC–INSURED S & LA'S IN PHILADELPHIA SMSA, YEARS 1953 - 1968
(in thousands of dollars)

Year	New Savings Received	Withdrawals	Net Inflow
1968	$894,667	$748,310	$146,357
1967	963,458	765,521	197,937
1966	745,822	727,821	18,001
1965	751,582	558,146	193,436
1964	673,046	500,353	172,693
1963	616,614	460,782	155,832
1962	591,490	435,483	156,007
1961	565,900	381,022	184,878
1960	497,370	355,763	141,607
1959	452,802	326,726	126,076
1958	396,894	296,100	127,794
1957	339,979	256,283	83,696
1956	327,640	224,385	103,255
1955	299,813	192,899	106,914
1954	267,066	156,009	111,057
1953	220,154	136,815	83,339

Source: Date Management Division
Federal Home Loan Bank Board

Where, for example, the geographic market for the demand deposit is found to be tightly strictured in a narrow area around the particular banking house, it cannot be redefined by pointing up a broader geographic market for some other service–say agricultural lending–which is a separate line of commerce with a separate conglomeration of competitors in a different geographic area of coverage.

The matter becomes critical where the demand deposit geographic market for one bank is quite plainly outside the demand deposit geographic markets associated with the other's nearest offices, that is: they are not in substantial competition for demand deposit accounts. Particular product markets, e.g., savings, have a reasonably interchangeable body of competitors which include S & L's and credit unions. The geographic market, the "area of effective competition," must be determined by examining distributive patterns of these other institutions as well as commercial banks.

FILED
JUL 21 1972
MICHAEL RODAK, JR., CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-703

UNITED STATES OF AMERICA,
Appellant,

v.

FIRST NATIONAL BANCORPORATION, INC. and
THE FIRST NATIONAL BANK OF GREELEY,
Appellees.

APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

ANSWER OF APPELLEES TO BRIEF AS *AMICUS CURIAE* FOR THE NEW YORK STATE BANKING DEPARTMENT

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-703

UNITED STATES OF AMERICA,

Appellant,

v.

FIRST NATIONAL BANCORPORATION, INC. and THE FIRST NATIONAL BANK OF GREELEY,

Appellees.

APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

ANSWER OF APPELLEES TO BRIEF AS *AMICUS CURIAE* FOR THE NEW YORK STATE BANKING DEPARTMENT

The instant case involves the proposed acquisition by a holding company (Bancorporation) of a single office bank in Greeley, Colorado, the only bank in that community (a town of 38,000 people) presently available for purchase. The holding company has no banking offices within 40 miles of Greeley, an isolated agricultural and college town; it has denied that it would attempt to enter the market by new charter; it may not, under State law, branch; there are no other banks in Greeley presently available for sale; and the Regional Administrator of National Banks has represented that he

would not grant an application for a new charter should one be made.

The former Superintendent of Banks of the State of New York has filed an Amicus brief[1] citing 17 cases of regulatory denial of acquisitions in New York State and subsequent actions of banks in those markets[2] which, he contends, demonstate that Bancorporation, if denied this affiliation, would, despite the representations cited above, enter the Greeley market *de novo*.

The brief of the former Superintendent does not call our attention to any claim by the acquiring institutions that they would not enter these markets by alternate routes should the affiliations in question be denied nor to representations by the appropriate regulatory agencies that they would reject such alternate entry attempts. It would seem that, absent such representations, the experience of New York banks–which we believe differs markedly from the former Superintendent's contentions– is not relevant to this case. We will, however, discuss them as if relevance had been established.

Three of these cases (#7, 8 and 9 in his listing) admittedly involved actual competition between banks in the same market areas and were denied on such grounds. Their inclusion in a discussion of potential competition is wholly inapposite.

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[1]Appellees herein have already expressed their strenuous objections to responding to massive contentions of fact at an appellate level. The Court is respectfully referred to the "Answer of Appellees to Brief for the Federal Deposit Insurance Corporation as Amicus Curiae", at pp. 4-5, and to the "Objection of Appellees to the Motion of the New York State Banking Department for Leave to File Brief Amicus Curiae"on the question whether the former Superintendent ought to be heard at all.

[2]A more complete before and after factual analysis of these cases is appended to this brief.

Eight of these cases (#1, 2, 3, 4, 5, 11, 13 and 17) involved attempts by New York City banks to follow their customers into the New York City suburbs of Nassau, Suffolk or Westchester counties after the state banking laws were changed to permit branching into New York City suburbs by New York City banks. Although all these cases involved banks with offices already fairly close and in some cases in actual competition, the most striking distinction is that each of these suburban counties involve population and deposits in excess of all of Colorado outside the Denver SMSA.[3] It seems to Appellees that a determination by the big New York City banks not to be excluded from markets of such enormous size and scope, into which they could still branch or merge or charter in many areas, sheds little light on the likelihood of Bancorporation seeking a new charter in a single town of 38,000 people.

In cases 10 and 12 there were no changes whatsoever in the banks in the relevant market. In 10, a large banking organization with offices in one end of a county proposed to acquire a banking organization with offices at the other end of that county, more than 25 miles away. Admittedly they were not in competition. Subse-

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[3]

County	*Deposits (000)**	*Population (1970 Census)*
Nassau	$3,163,050	1,422,905
Suffolk	1,626,352	1,116,672
Westchester	1,823,589	891,409
Colorado, excluding Denver SMSA	1,407,128	979,703

**Summary of Accounts and Deposits in all Commercial Banks*, June 30, 1970, Federal Deposit Insurance Corporation.

quent to the disapproval, the bank to be acquired was acquired by another billion dollar organization. Neither organization has opened offices in the other's service area. In case 12, a large banking organization proposed to acquire a bank with offices in one end of a county. This was denied and the first bank acquired a bank at the other end of the county. Similarly, no new offices have been opened in the other's service area. No competition previously existed, nor has any since been initiated. We fail to understand what light these cases shed on the likelihood that Bancorporation would seek alternate entry into Greeley.

Similarly, in case 15, 4 widely separated banks in upstate New York proposed to form a holding company. The nearest offices of any of them were 50 miles apart. Subsequent to the denial of their affiliation, two of them formed a holding company with each other, and one merged with a large New York City bank. None of them has opened offices in any area served by the other. The competitive mix in each market remains unchanged. Again, we fail to understand what light this sheds on the likelihood that Bancorporation would seek alternate entry into Greeley.

In case 14, a large banking organization proposed to acquire a $191 million deposit bank in the Rochester area. It was allowed to acquire 12 of the offices of that bank and $158 million in deposits. The remaining 4 offices were sold to another large banking organization. Although two organizations resulted where there had been one before, the case has no apparent relation to potential competition at all and equally appears to be of no assistance in a discussion of a proposed acquisition of a unit bank.

In case 16, a large banking organization with 9 offices in Albany County proposed to merge with a bank with 6 offices in adjoining Rensselaer County. Both counties are in the Albany SMSA and all but one of the parties' 15 offices in the SMSA were within 7 miles of a point midway between Albany and Troy. There was already a strong element of actual competition. After the merger was rejected, the Rensselaer County bank merged with another large banking organization and did, in fact, open an office in Albany. This again, however, is a case reminiscent of the New York City cases discussed above. The Albany SMSA is a large metropolitan area involving a deposit pool ($1.8 billion) larger than all of Colorado outside the Denver SMSA and a population (720,786) almost as large. Again, it seems to appellees that a determination by a big New York City bank (here Irving Trust) not to be excluded from markets of such enormous size and scope into which it could still branch or merge or charter in many areas sheds little light on the likelihood of Bancorporation seeking a new charter in a single town of 38,000 people.

In case 6, a major New York City bank, Morgan Guaranty, proposed to form a holding company with six leading banks in upstate New York markets. It was denied. Of the 42 possible permutations and combinations (each of the 7 could have entered the markets of each of the other 6) only two have subsequently come to pass in the ten years since the initial denial. Lincoln First entered Syracuse in 1967 by acquiring the $191 million deposit Lincoln National Bank & Trust Company of Central New York and First Empire (Manufacturers and Traders Trust) has recently entered New York City by acquiring the $136 million Hambro American Bank & Trust Company. *None* has entered the market of another

via new charter, the only route open to Bancorporation here. We believe that this case does shed some light on the likelihood of *de novo* entry of Bancorporation into Greeley but *not* in support of the thesis advanced by the former Superintendent of Banks.

Appellees do not deny the value of the doctrine of potential competition in antitrust enforcement generally or specifically in banking. Nor do we deny that the public interest standards of the federal and various state bank regulatory agencies give the supervisory agencies very broad powers to structure banking along lines which encompass the branching, chartering, merging and general supervisory powers of these agencies—powers which, of course, are far more comprehensive than the essentially negative function of the Clayton Act.

What we do challenge is the contention that alternate entry (in a few of these cases) by major organizations into markets bigger and richer than all Colorado outside metropolitan Denver, where diverse branching, merging and chartering opportunities are available, aids this Court in resolving the question of whether Bancorporation is likely to seek a new charter in a single rural town.

Respectfully submitted,

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Attorneys

July, 1972

APPENDIX

APPENDIX A

This Appendix presents each of the 17 case studies of which the amicus curiae brief of the former Superintendent of Banks of the State of New York is comprised. It is offered to establish that upon careful analysis, none of the cases clearly supports the central proposition advanced by the former Superintendent—*viz.*, that in 17 of 23 denials of proposed bank affiliations arising in the State of New York between 1961 and 1970, "*potential* competitors have within a relatively short time become *actual* competitors of the local banks they sought and were unable to acquire" (Sup't. Br. at 6)—*most* are indifferent to the proposition and *some* suggest a clear negative.

Case 1 – *Holding Company Affiliation Involving Bankers Trust Company, New York City, and The County Trust Company, White Plains*, denied by N.Y. Superintendent of Banks (*Annual Report*, 1961, N.Y. Superintendent of Banks, p. 44).

The proposed affiliation involved the $3.1 billion asset Bankers Trust and the one-half billion dollar asset County Trust, which had 40 offices in Westchester County (*id.* at 53, 54). Bankers Trust had 10 offices in the Bronx, contiguous to Westchester, and the nearest offices of the two banks were about 5 miles apart (*Polk's Bank Directory*, March 1961). The Superintendent's opinion called attention to the recent State law which permitted branching from New York City into Westchester County and that "implicit in the statute is the recognition given to movements in population and business from cities to suburban areas." (*Id.* at 52-53). "Some 40% of Westchester residents commute regularly to New York City . . . . About 70 percent of Westchester residents live

within 10 miles of New York City, and important business relationships exist involving the movement of goods and services between New York City and Westchester." (*Id.* at 54).

That Bankers Trust, absent the affiliation, would accept the legislative invitation to branch outward within the metropolitan area into Westchester County – a course previously denied it – thereby following commuters into the suburbs, was obvious. This did in fact occur, and Bankers Trust currently operates 9 offices in Westchester, eight of which resulted from its 1968 merger with Northern Westchester National Bank. (Kohn and Carlo, *Potential Competition: Unfounded Faith or Pragmatic Foresight*, at 12; *Polk's Bank Directory*, Mar. 1972).

Case 2 – *Merger of First National City Bank, New York City, and National Bank of Westchester, White Plains*, denied by Comptroller of the Currency (*Annual Report*, 1962, Comptroller of the Currency, p. 138).

First National City Bank, with assets of $8 billion was a New York City bank which, at the time of the denial, had two authorized but unopened branches in Westchester (*id.* at 138). National Bank of Westchester, with $271 million in assets, operated 26 offices in Westchester County (*id.* at 139). Like Case No. 1 above, the Comptroller's opinion alludes to the newly enacted New York law which permitted branching from New York City into Westchester and the population movements which passage of the law recognized:

> "It is desirable and in the public interest that New York City banks be permitted to branch in the suburban portions of the metropolitan area. Banks

like other businesses should be permitted to follow their customers to the suburbs. As our society changes so must every business desiring to maintain its position and achieve its growth potential change also. One of the serious problems in banking today arises from legal restrictions, many of which were designed for an earlier age, which have hampered the proper accommodation by banks to the changing nature of our society, and have inhibited not only their growth, but their ability to serve efficiently our growing economy. Removal of the restrictions on New York City banks branching in Westchester and Nassau Counties shows recognition of these problems at the State level." (*Ibid.* at 140).

Again:

"There is no doubt that the larger New York City banks are today actively seeking out acceptable branch sites in Westchester and Nassau Counties. Gradually, as the population shifts to what are now the lesser populated sections of the county, acceptable branch sites will be located, supervisory approval secured, and branches established." (*Ibid.* at 141).

First National City Bank now operates 21 branches in Westchester County (Sup't Br. at 10). The National Bank of Westchester, on the other hand, has affiliated with a holding company but has not entered New York City (*Moody's Bank & Finance Manual*, 1972).

Case 3 – *Merger of Chase Manhattan Bank, New York City, and Hempstead Bank*, approved by N.Y. Superintendent of Banks, later denied by the Federal Reserve Board (1962 Fed. Res. Bull. 544).

Hempstead Bank maintained its 15 offices in Nassau County. Chase, with $8.9 billion in deposits and 120 offices, already had two offices in Nassau County as well as 28 offices in neighboring Queens (*id.* at 545, 547; *Polk's Bank Directory*, Mar. 1962). Chase had an "already strong position . . . in Nassau County . . . Chase . . . has developed a volume of deposits and loans originating in Hempstead Bank's service areas which is almost half as much as Hempstead's deposits and loans." (*Id.* at 547). One of Chase's existing Nassau branches was but one mile from one of Hempstead Bank's offices. (*Ibid.*) As noted (Cases 1 and 2 above), the 1960 changes in New York law enabled New York City banks, like Chase, to follow their customers into the suburbs and grow with the expanding metropolitan area. Subsequent to the denial of its proposed affiliation with Hempstead Bank, Chase has increased the number of its Nassau County branches from two to ten (Sup't Br. at 11). Hempstead Bank has not branched into Queens (*Polk's Bank Directory*, Mar. 1972). Competition between the two banks has increased in conformance with a pattern established prior to the merger denial. Neither bank has been responsible for any change in the number of competitive alternatives in either Queens or Nassau since the decision.

Case 4 – *Merger of Chemical Bank New York Trust Company, New York City, and Long Island Trust Company, Garden City*, approved by N.Y. Superintendent of Banks, later denied by Federal Reserve Board (1962 Fed. Res. Bull. 548).

Chemical, with $4.4 billion in deposits and 113 domestic offices, sought to merge Long Island Trust Company (LIT), with deposits of $140 million and 14

offices in Long Island—12 in Nassau County and two in Suffolk County (*id.* at 549, 550). Chemical had already branched into Nassau County (*id.* at 550) and had 12 offices in the Borough of Queens, contiguous to Nassau (*Polk's Bank Directory*, Mar. 1962). The volume of Long Island business held by Chemical was about one-half that of LIT's business in Nassau and Suffolk (1962 Fed. Res. Bull. at 552). The Board noted:

> "More specifically, the location of LIT's main centers of activity in relationship to existing offices of Chemical indicates that there is a competitive relationship between the two banks. Four of the most important areas from which LIT obtains its business are Mineola, Garden City, Freeport, and Great Neck. Four branches of Chemical, operating in the Borough of Queens, are just across the Queens-Nassau County line. These branches are located at distances from 6 to 14 road miles from the four service areas of LIT. In general, then, Chemical has offices near LIT's major areas of operation. The whole area, on both sides of the County line, is highly developed and densely populated . . . . " (*Id.* at 552).

The Board's opinion called attention to the "changes in New York State law under the Omnibus Banking Act of 1960, which permit New York City banks to establish branches in Nassau County" (*id.* at 551), and stated, "the facilities of large New York City banks have become available, and presumably will become increasingly available, through the establishment by such banks of new branches in Nassau County . . . . " (*Ibid.*) The Board pointed out, "[i]t is to be expected that New York City banks, anticipating their future growth, would wish to

follow the trends in population[1] and business by extending their banking operations to such areas as Nassau County . . . " (*Id.* at 550). Chemical later increased its Nassau branches to 13 (Supr. Br. at 11), including 3 which were acquired by a 1963 merger of Bank of Rockville Centre Trust Co., with $43 million in assets at year-end 1962 (See *Kohn and Carlo* at 13). Thus, Chemical's post-denial growth did not result in any increase in the number of competitive alternatives available in Nassau County. In March of 1972, Chemical acquired Eastern National Bank of Long Island ($77 million in assets) with 6 offices in Suffolk County (*Moody's Bank & Finance Manual*, 1972; *Polk's Bank Directory*, March 1972). Subsequent to the decision, there has been no change in the number of competitive alternatives in either Nassau or Suffolk Counties as a result of that decision.

Case 5 – *Holding Company Affiliation Between Marine Midland Corporation, Buffalo, and Security National Bank of Long Island, Huntington*, approved by N.Y. Superintendent of Banks, later denied by Federal Reserve Board (1962 Fed. Res. Bull. 1597).

Marine Midland, with deposits of $2.5 billion, operated subsidiaries with 181 banking offices in 105 communities located throughout all of New York's nine banking districts (*id.* at 1599, 1602). Among the 11 offices of its

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[1] New York City's population declined 1.4% between 1950 and 1960 compared to an increase of 93.3% in Nassau County's population. (*id.* at 550).

New York City-based subsidiary were 3 branches in Queens County, adjacent to Nassau County (*id.* at 1603). Security National, with $212 million in deposits, operated 8 offices in Nassau County and 25 offices in Suffolk County (*id.* at 1599).

Seven years after the Board's denial of this proposed affiliation, Midland acquired Tinker National Bank, with $92 million in assets and 9 offices in Suffolk County (*Kohn and Carlo* at 14). The Marine Midland organization now operates 15 offices in Suffolk County (*Polk's Bank Directory*, Mar. 1972). In 1970, Marine Midland New York acquired the Community Bank of Lynbrook in Nassau County (*Moody's Bank & Finance Manual*, 1972) and now has 5 offices in Nassau County (*Polk's Bank Directory*, Mar. 1972).

Case 6 – *Holding Company Formation Involving Morgan Guaranty Trust Company of New York, New York City; Manufacturers and Traders Trust Company, Buffalo; Lincoln Rochester Trust Company, Rochester; First Trust & Deposit Company, Syracuse; The National Commercial Bank and Trust Company of Albany; First-City National Bank of Binghamton, New York; and The Oneida National Bank and Trust Company of Central New York, Utica*, approved by New York State Banking Board, later denied by the Federal Reserve Board (1962 Fed. Res. Bull. 567).

The composition of the proposed holding company was to have been as follows (*id.* at 569-570):

Proposed Member Bank	No. of Offices	No. of Communities	Deposits *($ millions)*
Morgan Guaranty, New York City	5	1	3,410
Manufacturers & Traders Trust, Buffalo	43	21	452
Lincoln Rochester	26	15	377
First Trust, Syracuse	24	5 plus	183
Nat'l Commercial, Albany	33	25	311
First City, Binghamton	8	3 plus	86
Oneida Nat'l, Utica	13	4 plus	112
	152	74 plus	4,931

Since each of the 7 banks could have entered into the areas served by any of the other 6,, denial of the affiliation raised 42 cross-entry potential situations. Based on the size and geographic spread of each of the seven, one would expect—accepting the broad potential competitive thesis advanced by the former Superintendent—that many such cross-entries would have occurred, either by branching or establishment of *de novo* affiliates. In fact, in the ten years since denial of this affiliation, not one of the seven has done so. What did happen is the following: (1) Three of the banks became lead banks of new holding companies: Manufacturers and Traders Trust, Buffalo (First Empire State Corporation); Lincoln Rochester Trust Company, Rochester (Lincoln First Group, Inc.); and National Commercial Bank and Trust Company, Albany (First Commercial Banks, Inc.). (2) Two of the other banks joined one of the aforesaid holding companies: First Trust and Deposit Company, Syracuse joined First Commercial Banks, Inc.; and First-City National Bank, Binghamton, joined Lincoln First. (3) In 1967, Lincoln First acquired the $191 million deposit Lincoln National Bank and Trust Com-

pany of Central New York, based in Syracuse. (4) First Empire State Corporation recently acquired the $136 million deposit Hambro American Bank and Trust Company of New York City (*Moody's Bank & Finance Manual*, 1968, 1971 and 1972). *None of the above described merger activity increased at all the number of competitive alternatives available in any of the 74 or more communities previously served.*

Case 7 – *Merger of State Bank of Albany and Fulton County National Bank, Gloversville*, denied by N.Y. Superintendent of Banks (Press Release, New York State Banking Department, July 13, 1961).

"In the case of the proposed merger of Fulton County National Bank into State Bank of Albany, Mr. Root noted that State Bank of Albany now has a branch in Johnstown, immediately adjoining the City of Gloversville, and that it is presently in direct competition in the Johnstown-Gloversville area and elsewhere in Fulton County with the offices of Fulton County National Bank of Gloversville.

"The Superintendent of Banks stated that the resulting elimination of competition between these two banks would be substantial and would constitute a tendency towards monopoly in the market area. The Superintendent further indicated that the public in the Johnstown-Gloversville area already had available the services offered by State Bank of Albany as a result of the existence of its branch in Johnstown. Under the circumstances, the substantial elimination of competition which would have resulted from this merger weighed the balance towards disapproval." (Press Release, *supra*).

Clearly, this case was denied on the grounds of actual rather than potential competition. Subsequent to the

denial the State Bank of Albany has engaged in no further expansion in Fulton County, nor has Fulton County National established new branches either in the county or elsewhere (*Polk's Bank Directory*, Mar. 1972).

Case 8 – *Merger of Manufacturers and Traders Trust Company, New York City, and State Bank of Newfane*, denied by N.Y. Superintendent of Banks (Press Release, New York State Banking Department, April 21, 1961).

The *Kohn and Carlo*, study, *supra*, upon which the former Superintendent's brief is based, states (at 19):

> "This application was disapproved by the New York State Superintendent of Banks on April 21, 1961 on the basis of the elimination of existing competition and a tendency toward monopoly in the area. At the time, the Newfane bank was the last remaining independent bank headquartered in Niagara County, where the two largest banks in District Nine [one of which was Manufacturers and Traders Trust Company] had almost all the commercial bank offices . . . These banks, the only ones with offices within ten miles of Newfane, were in competition with the Newfane bank."

The nearest office of Manufacturers and Traders Trust was and still is in nearby Lockport (*American Bank Directory*, Spring, 1972). State Bank of Newfane was subsequently merged with another major bank (*Moody's Bank and Finance Manual*, 1972).

Case 9 – *Merger of County National Bank, Middletown, and National Bank of Port Jervis*, denied by Comptroller of the Currency (*Annual Report*, 1962, Comptroller of the Currency, p. 153).

"The proposal, if approved, would combine the [only] two banking offices operating in Port Jervis . . . " (*Id.* at 154).

Moreover the Comptroller's summary of the Attorney General's report states:

"To permit this merger would eliminate substantial competition between the merging banks, create banking monopoly in the town of Port Jervis and tend toward monopoly in the entire service area of the merging bank." (*Id.* at 154).

Case 10 – *Merger of Manufacturers and Traders Trust Company of Buffalo and Bank of Jamestown*, denied by N.Y. Superintendent of Banks (*Annual Report*, 1964, N.Y. Superintendent of Banks, p. 19).

Buffalo-based Manufacturers and Traders Trust Company, with total assets of $625 million, operated 45 offices, including 3 in the northern part of Chautauqua County (*id.* at 19, 21). Bank of Jamestown, with assets of $54 million, operated its 7 offices in the southern portion of Chautauqua County (*id.* at 19, 21). The two organizations' closest offices were about 26 miles apart (*Kohn and Carlo* at 18).

In 1969, subsequent to the denial, the Bank of Jamestown (then $77 million in assets) was acquired by Bankers Trust New York Corporation, with total assets of $8 billion at Dec. 31, 1968 (*Moody's Bank & Finance Manual*, 1970). The procompetitive effect cited by the former Superintendent's brief (at 14) is that "Jamestown bank . . . now competes more effectively with Manufacturers and Traders Trust Company in Chautauqua County." However, the closest office of Manufacturers and Traders Trust Company and Bank of Jamestown remain approximately 26 miles apart.

Case 11 – *Merger of Chemical Bank, New York City, and First National Bank in Yonkers,* denied by N.Y. Superintendent of Banks (*Annual Report*, 1965, N.Y. Superintendent of Banks, p. 25, and Statement of Superintendent of Banks accompanying Press Release, April 22, 1965).

First National Bank in Yonkers, with $96 million in deposits at mid-year 1964, had all of its 11 offices in Yonkers, Westchester County (Press Release, *supra*, at 3, 15). Prior to the proposed affiliation, Chemical, a large New York City Bank, had already branched into Westchester County and had acquired another Westchester County bank, First National Bank of Mt. Vernon, with $49 million in deposits and 4 offices at year-end 1963 (*id.* at 16). By mid-year 1964, prior to the proposed affiliation, Chemical had $53 million in deposits and 6 offices in Westchester County (*id.* at 14, 15). In Westchester County, which was deemed by the Superintendent to constitute a relevant market (*id.* at 14), Chemical's 3.9% share of total deposits would have given the merged organization 10.9% of total deposits. Subsequent to the denial, First National Bank of Yonkers merged with the $2 billion National Bank of North America (*Moody's Bank & Finance Manual*, 1972).

Case 12 – *Holding Company Affiliation Between BT New York Corporation and Liberty National Bank, Buffalo*, approved by N.Y. Superintendent of Banks, later denied by Federal Reserve Board (1967 Fed. Res. Bull. 769).

BT New York Corporation is a holding company whose lead bank, Bankers Trust Company of New York

City, had $4.5 billion in deposits at June 30, 1966 (*id.* at 770). BT New York Corporation's other three subsidiaries, all headquartered in eastern New York State, had combined deposits of $187 million (*ibid.*). Liberty National, headquartered in Buffalo held total deposits of $341 million at June 30, 1966, and operated 34 offices–28 in the Buffalo SMSA, 4 in northern Chautauqua County and 2 in Genesse County (*id.* at 771). The closest offices of any Bankers Trust subsidiary and Liberty were approximately 200 miles apart (*id.* at 770). Subsequently, in 1969, Bankers Trust Company acquired Bank of Jamestown in the southern part of Chautauqua County, with assets of $77 million, which competes in a quite separate market from Liberty National.[2] In 1971, Liberty combined with the $743 million deposit State Bank of Albany to form United Bank Corporation of New York (*Moody's Bank & Finance Manual*, 1972). Bankers Trust has not entered the Buffalo market, nor has any new competitor been established in any market as a result of the various permutations and combinations of these banks and the banks and banking organizations with which they subsequently became affiliated.

Case 13 – *Holding Company Affiliation Between Marine Midland Banks and First Westchester National Bank, New Rochelle,* denied by N.Y. State Banking Board (*Annual Report*, 1967, N.Y. Superintendent of Banks, p. 50).

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[2]The former Superintendent's brief erroneously states that "Bankers Trust . . . now competes with Liberty Bank of Buffalo in Chautauqua County" (at 14-15). However, their closest offices are approximately 25 road miles apart (Liberty's Brockton office and Bankers Trust's Sherman office) (*Polk's Bank Directory*, Mar. 1972).

At year-end 1966, the Marine Midland group, with deposits of $3.8 billion (*Moody's Bank & Finance Manual*, 1968), operated 15 offices in New York City (*Polk's Bank Directory*, Mar. 1967). First Westchester, with deposits of $124 million (*Moody's Bank & Finance Manual*, 1968) had 17 offices in Westchester County, including 7 in New Rochelle (*Annual Report*, 1967, N.Y. Superintendent of Banks, at 52, 54, 57), which is but two or three miles from the New York City border, and one in Putnam County (*Polk's Bank Director*, Mar. 1967). Marine Midland had the legal capacity to branch into Westchester County through three subsidiaries (*Annual Report*, 1967, N.Y. Superintendent of Banks, at 54). In fact, the Marine Midland group, through Marine Midland Bank of Southeastern New York did later branch into Westchester County, where it currently operates 7 branches (*Polk's Bank Directory*, Mar. 1972).

Case 14 – *Affiliation Between Charter New York Corporation and Central Trust Company, Rochester*, approved by N.Y. Supervisor of Banks, later denied by Federal Reserve Board (1968 Fed. Res. Bull. 925).

Charter New York Corporation controlled four banks, including Irving Trust Company, had total deposits of $3.5 billion, and operated 40 offices at December 30, 1967 (*ibid.*). Central Trust had deposits of $191 million and operated 14 offices–seven offices in Rochester, five more in Monroe County in the Rochester suburbs, and one each in Wayne County and Steuben County, 17 miles east and 50 miles south, respectively, of Rochester (*id.* at 925, 926). In 1970, Charter substituted a modified proposal to the Board, which was approved (*In re Charter New York Corp.*, 1970 Fed. Res. Bull. 294), whereby

Charter acquired Central Trust (now operating 16 offices) but "spun off" the business and assets of four Central Trust banking offices (three in Rochester and one in Wayne County) to a new bank, which was thereupon acquired by Bankers Trust New York Corporation.

Case 15 – *New Holding Company (First Empire State Corporation) Affiliation Involving Manufacturers and Traders Trust Company, Buffalo; First Trust & Deposit Company, Syracuse; National Commercial Bank and Trust Company, Albany; and First National Bank in Yonkers*, approved by N.Y. State Banking Board, later denied by Federal Reserve Board (1969 Fed. Res. Bull. 738).

The affiliation included First Yonkers, with $122 million in deposits and 11 offices in Yonkers, Westchester County, and three upstate organizations with substantial branching systems: (1) Manufacturers and Traders Trust Company, Buffalo, with $854 million in deposits and 67 offices (2) First Trust and Deposit Company, Syracuse, with $263 million in deposits and 31 offices; and (3) National Commercial Bank & Trust Company, Albany, with $712 million in deposits and 54 offices (1969 Fed. Res. Bull. at 739). The closest offices of any two of the banks were located about 50 miles apart (*ibid.*).

Subsequently, three of the four have joined upstate holding companies and the fourth has been merged into a multi-billion dollar bank. Specifically, in 1969 Manufacturers & Traders Trust became the lead bank of First Empire State Corp., which recently acquired Hambro American Bank & Trust Company in New York City (*Moody's Bank & Finance Manual*, 1972). In 1971,

National Commercial and First Trust and Deposit became the lead banks of a new holding company, First Commercial Banks, Inc. (*ibid.*). The First National Bank in Yonkers meanwhile was merged into the National Bank of North America, a $2.1 billion deposit bank, which, in turn, is 98% owned by CIT Financial Corp., a diversified banking, financing, insurance, manufacturing and merchandising conglomerate (*ibid.*).

None of the three resulting organizations appears to have entered into the banking markets of either of the other two by new charter or by branching. The Hambro American acquisition of First Empire brings the latter into competition with National Bank of North America which had acquired First National of Yonkers, but this did not change the number of competitors or the number of offices in New York City, the point of new contact.

Case 16 – *Affiliation of Bankers Trust New York Corporation and Union National Bank of Troy*, denied by N.Y. State Banking Board (*Annual Report*, 1970, N.Y. Superintendent of Banks, p. 74).

Bankers Trust, with $8.2 billion in total deposits at year-end 1969 (*Moody's Bank & Finance Manual*, 1972), had subsidiary banks operating 140 offices, including First Trust Company of Albany, among whose 16 offices were 9 in Albany County, a part of the Albany SMSA (*id.* at 78; *Polk's Bank Directory*, Sept. 1969). Union National had $62 million in assets and 6 offices in Rensselaer County (*ibid.*), also part of the Albany SMSA. The closest offices of the two organizations were but 5 miles apart; all 9 Banker's Trust offices and 5 of the 6 Union National offices were encompassed within a radius of about 7 miles from a point midway between Albany

and Troy (*id.* at 78 and *Polks Bank Directory*, Sept. 1969). Bankers Trust was free to branch into Rensselaer County (Superintendent's 1970 *Annual Report, supra*, at 80). Subsequent to the denial of the proposed affiliation, Charter New York Corporation (lead bank, Irving Trust Company), with $5.3 billion in deposits at year-end 1970 (*Moody's Bank & Finance Manual*, 1972), established a new bank in Albany (one office) which was merged with Union National, the net effect of which was to turn $62 million Union National into a subsidiary of a $5.3 billion deposit organization and to add one office in Albany County to the acquired Union National operation (*Moody's Bank & Finance Manual*, 1972), increasing *pro tanto* the extent of direct competition which concededly already existed between Bankers Trust and the former Union National operation (Superintendent's *Annual Report, supra*, at 78). Meanwhile, Bankers Trust's First Trust Company of Albany has added two more offices in Albany County, but has not branched into Rensselaer County (*Polk's Bank Directory*, Mar. 1972).

Case 17 – *Holding Company Affiliation of Charter New York Corp. and Hempstead Bank, Hempstead*, denied by State Banking Board (*Annual Report*, 1970, N.Y. Superintendent of Banks, p. 111).

The lead bank of Charter New York Corp., Irving Trust Company, was one of New York City's largest banks, with assets of $5.2 billion at the end of 1969 (*id.* at 112). Another Charter subsidiary, the $75 million Scarsdale National Bank and Trust Company, was located in Westchester County. Hempstead Bank had $172 million in assets and 22 offices–21 in Nassau County and one in Suffolk County (*id.* at 111). The nearest offices of the two organizations were 18 miles apart (*id.* at 117).

In 1972, Charter acquired the Bank of Babylon, with $64 million in assets at Dec. 31, 1971 (*Moody's Bank & Finance Directory*, 1972) and 7 offices in Suffolk County (*Polk's Bank Directory*, Mar. 1972). Charter has not entered Nassau County, whereas Hempstead Bank established only one additional office in Suffolk. The Hempstead Bank remains primarily in Nassau while all of Charter's Long Island offices are in Suffolk (*Polk's Bank Directory*, Mar. 1972). There has been no increase in the number of competitive alternatives in any county resulting out of the denial of the application.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-703

UNITED STATES OF AMERICA,

Appellant,

v.

FIRST NATIONAL BANCORPORATION, INC. and THE FIRST NATIONAL BANK OF GREELEY,

Appellees.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLORADO

ANSWER OF APPELLEES TO BRIEF FOR THE FEDERAL DEPOSIT INSURANCE CORPORATION AS *AMICUS CURIAE*

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ANSWER OF APPELLEES TO BRIEF FOR THE FEDERAL DEPOSIT INSURANCE CORPORATION AS *AMICUS CURIAE*

The Federal Deposit Insurance Corporation (the "FDIC") has filed an *amicus curiae* brief in support of the position of the Department of Justice (Appellant), arguing that the Clayton Act ought to be interpreted to reach a very broad class of cases where the probable competitive effects are conjectural and prospective rather than direct and immediate. Since the FDIC has taken the unequivocal position that it can reject merger proposals on competitive grounds even when they do not violate

the standards of the Sherman or Clayton Act,[1] it seems clear that its brief is designed to impose those interpretations, not on itself, but rather on the other bank regulatory agencies.

The brief *amicus* for the FDIC in this case states broadly that in Section 7 cases alleged to involve the elimination of a prospect of substantial future competition between affiliating banking organizations, this Court should: (1) ignore "subjective" evidence, (2) use only "objective" evidence, (3) ignore the expressed policy of the responsible regulatory agency (if that agency would *not* charter new banks) because of the transitory status of policy makers,[2] (4) look to state markets and (5) finally, contends that there are no relevant economies of scale in holding company acquisitions.

The first four briefing points are arguments; they do not differ materially from the same arguments as articulated by the Appellant herein and the Court is respectfully referred to the principal briefs for a consideration of the merits of these contentions.

The fifth point, and the purpose for which we assume the brief was filed, makes representations of fact. It is

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[1] Defendant's Opening Memorandum in Support of Motion for Judgment on the Record at 2, *Washington Mutual Savings Bank, et al. v. Federal Deposit Insurance Corporation* (No. 45-71C3, W.D. Wash.).

[2] This curious claim relates, in context, to a Comptroller of the Currency who is in the first year of a second five year term (12 U.S.C. §2, 49 Stat. 707) and a State Bank Commissioner with statutory life tenure (App. 493).

contended that this acquisition would not occasion any appreciable economies of scale.[3]

There was testimony in this case by experts for *both* sides as well as industry members that there are significant economies of scale associated with holding company growth.[4]

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[3] "However, as the size of a banking *organization* expands through the acquisition of additional offices, no appreciable economies of scale occur." (emphasis in original) (at 17).

[4] *Baxter*, App. 430: "Q. Are there economies of scale which these banking organizations could obtain in operating these—operating in these communities? A. Yes, I think there are. Q. Could you support that conclusion? A. Well, larger banking organizations—it can be demonstrated from various studies that have been done—do enjoy lower unit costs of operation. If one looks at economy of scale as being the unit cost of producing a given output, the larger banking organizations with branch banking facilities or holding companies could take advantage of these lower unit operating costs and would pass on these advantages—competition would induce them, indeed, force them to pass on these advantages and these cost savings that they achieve . . . .

App. 432: "Now most economists I would say, including one of plaintiff's experts, Dr. Hall, have stated that there are competitive advantages to more liberal branching and holding company movements. These competitive advantages incorporating the economies of scale [then discussing several studies]."

Hall, App. 239: "Q. Now, Dr. Hall does correspondent banking have an important economic function? A. Yes, it's in a country which has a lot of banks—small banks which are either unit banks or small holding companies or small branch bank systems. The fact that these banks *can obtain access to the facilities of large banks, facilities where there are economies of scale* are important for making the system work." (emphasis supplied).

Moon, App. 162-163: Q. Mr. Moon, was your principal and primary reason for starting the Affiliated Bankshares the desire of the members of your organization to take advantage of the economies of scale attendant upon a holding company structure? . . . A. I find it difficult to answer yes. This was certainly a major consideration."

The FDIC takes issue with this testimony and offers its own arguments. However, an appeal should not be the occasion for injection of new and untested factual data into the record. One of the "steadying factors in appellate courts" is "a frozen record from below."[5] A long line of federal cases clearly establishes the principal that an appellate court may only consider facts of record. *United States v. Addonizio*, 449 F.2d 100, 103 (3rd Cir. 1971); *Duran v. United States*, 413 F.2d 596, 605 (9th Cir. 1969), cert. denied, 396 U.S. 917; *United States ex. rel. Collins v. Ashe*, 176 F.2d 606 (3rd Cir. 1949); *Stearns v. Hertz Corp.*, 326 F.2d 405, 408 (8th Cir. 1964, cert. denied, 377 U.S. 934; *Watson v. Rhode Island Ins. Co.*, 196 F.2d 254, 256 (5th Cir. 1952). This is so even if matters not before the trial court have been included in the record by stipulation. *Panaview Door and Window Co. v. Reynolds*, 255 F.2d 920 (9th Cir. 1958); *Heath v. Helmick*, 173 F.2d 156 (9th Cir. 1949). Even in the case of an affidavit and papers filed with this Court by a trial judge containing matters which were not in the record before him, this Court has stated (*McClellan v. Carland*, 217 U.S. 268, 283 (1910)):

> "We shall not enter upon a consideration of these papers because they are not in the record, as the same has been certified to us from the circuit court of appeals as the one upon which it acted . . . .
>
> . . . We must take the case as it is presented here upon the stipulated return to the writ of certiorari on the record as presented to the circuit court of appeals."

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[5] Llewellyn, *The Common Law Tradition–Deciding Appeals*, 28 (1960).

More recently in *Lawn v. United States*, 355 U.S. 339, 354 (1958), reh. denied, 355 U.S. 967, the Court granted a motion to strike a grand jury transcript proffered by the government and portions of the government's brief relating thereto, stating, "we must look only to the certified record in deciding questions presented." We think it is likewise clear that Appellant may not indirectly, through the offices of an "amicus curiae," bring before the Court assertions of fact of any kind, much less assertions which directly take issue with the record in the case.

Moreover, the FDIC's arguments are internally inconsistent. An economy of scale is an advantage inhering in larger size which permits the beneficiary to offer a better product at the same price or the same product at a better price or both. The FDIC argues that no such advantages may be found in accretions of banking offices to a holding company (at 20) yet on the very same page complains of the unfair advantages accruing to a new holding company affiliate by reason of its ability to offer more sophisticated services at comparable prices:

> Large banks have several advantages, since the same operating expense ratios as a smaller bank would permit the larger bank to spend more dollars for particular functions and yet show the same degree of profitability.[6]

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[6] The FDIC also contends that advertising advantages of size would permit a larger bank to garner more of the area business. Once again, the FDIC is attempting to rewrite the record. There was uncontested evidence below that there were no economies of scale in market diffusion advertising in banking and that, in any event, advertising was a very modest portion of bank budgets (as distinct from many industries), so that holding company acquisitions in new geographic areas would not ride the advertising

On its own claim then, the FDIC not only concedes but complains of the major economies of scale associated with large banking systems.[7] The Federal Reserve Board has also publicly acknowledged "the service advantages growing out of the greater efficiencies that are characteristic of a holding company affiliation." (*First United Bancorporation, Inc.* (Fort Worth, Texas), Order Approving Acquisition of Bank, 6/26/72, at 4 (1972 Fed. Res. Bull.___)). And since the Comptroller of the Currency has filed an amicus brief in this case specifically taking issue with the claim of "no appreciable economies," there appears to be unanimity among the bank regulatory agencies that holding company affiliations *do* yield significant economies of scale.

It is apparent that the FDIC means something else when it speaks of "economies of scale" than did the experts who testified in this case and something different from the general understanding of the term as set out above. The FDIC is limiting its inquiry on available economies to mechanical functions performed within a bank, and only to certain mechanical functions at that.[8] Larger organizations hire specialized personnel and invest

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coattails of the parent. There was some indication that such an attempt might even be counterproductive (App. 397, 1382-1384). We assume that an *ipse dixit* of an appeal level amicus will not be permitted to supplant the trial record herein.

[7] Implicit in this complaint is a recognition that such economies are not resolvable through the correspondent system.

[8] Appendix B of the FDIC brief makes it clear that no analysis was made of computer service costs, capital funds and "all other" expenses. They were assumed to be the same as the average of calculated factors. No basis for the assumption is offered.

in equipment providing higher quality service (*e.g.*, sophisticated data processing) all to the benefit of the consumer. Such efficiencies are masked by the sort of analysis advanced here.

We do not believe that any more need be said regarding the FDIC brief. In the main, it is a redundancy. Where it does serve Appellant's purpose it does so by asserting a conclusion of fact (no scale economies) totally at odds with the record made below. For that reason alone, it merits no consideration on these deliberations. Even on its own terms, however, the claim deteriorates to a semantic quibble.

Passing this second hurdle, *arguendo*, the presentation is technically flawed since even within its own limited frames of references, the contention does not sustain Appellant's root conclusions regarding the utility of more banking offices in Greeley nor the concept that Bancorporation ought find *de novo* entry attractive. We have not the materials upon which the FDIC's three to fifteen bank, $150 million asset market model was constructed so that we cannot now test its accuracy. Assuming its validity, the model yields economies of scale of $495,000 between a market occupancy of 3 and 15 banks. But banks with $150 million in assets would have a deposit base of about $125 million[9] and would be expected to earn up to $1,250,000 between them.[10] Thus, in the

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[9] All commercial banks in the United States as of June 30, 1971, had assets of $600 billion and deposits of $504 billion. (*Assets and Liabilities–Commercial and Mutual Savings Banks*, Federal Deposit Insurance Corporation, June 30, 1971).

[10] All commercial banks in the United States held year end deposits in 1970 of $435 billion and net pre-tax earnings for the year of $4.33 billion (*Bank Operating Statistics, 1970*, Federal Deposit Insurance Corporation).

FDIC's mechanical economies model, there are scale economies of up to 40% of net earnings.[11]

To place the impact of these kinds of funds in a meaningful context, $495,000 would support two new computer programmers, two additional trust officers, two new real estate specialists and four additional drive-in tellers at each of the three banks in addition to a 10% rise in dividends to all shareholders.

Standing alone, these mechanical scale efficiencies are not insignificant. Together with the efficiencies inhering in staff and service upgrading–also conceded by the FDIC–they offer a strong factual basis for the contention they purport to refute. Appellant has argued–fundamentally–that, however many banks there may be in a given market, the interests of the public are better served if we enhance the prospect that, someday, there can be "one more."

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[11] Bell and Murphy, on whose work the FDIC brief draws heavily (at 18-19) state:

> "Economies of scale are evident in commercial banking and arise through specialization of labor or machines or both. Of all commercial banking functions, demand deposits make the greatest use of machines. The kind used for this function changes with the level of output. Productivity differences among the machines contribute to the economies of scale. Except for demand deposits, banking functions are relatively labor intensive, with scale economies resulting predominantly from labor specialization. As more operations become computerized, these functions may grow more capital intensive . . . " (*Economies of Scale in Commercial Banking*, Federal Reserve Bank of Boston, 1967, p. 19).

The mechanical scale efficiencies seriously compromise Appellant's "one more is better" argument, while the staff and service improvements refute the FDIC thesis.

Respectfully submitted,

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July, 1972

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In the Supreme Court of the United States

OCTOBER TERM, 1972

No. 71-703

UNITED STATES OF AMERICA, APPELLANT

v.

FIRST NATIONAL BANCORPORATION, INC. AND THE FIRST NATIONAL BANK OF GREELEY

ON APPEAL TO THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLORADO

REPLY BRIEF FOR THE UNITED STATES

Appellees' lengthy briefs do not dispute the fact that bank mergers and acquisitions,[1] like mergers and acquisitions in other industries (compare *Kennecott Copper Corp.* v. *Federal Trade Commission*, C.A. 10, No. 71-1371, decided September 15, 1972), which eliminate from a designated geographic market significant

[1] For purposes of antitrust analysis, there is no material economic distinction between bank holding companies which own multiple banks and banking corporations which operate multiple branch offices. State law requirements, as much as anything else, determine what method of organization is used.

potential competition, violate Section 7 of the Clayton Act. Where the parties differ is with regard to the showing that the government must make in order to establish such a violation.

It is our submission, as explained in considerable detail in our main brief, that judicial appraisal under Section 7 of the competitive impact on the Greeley Area banking market of Bancorporation's entry by acquisition of the second largest banking corporation there (FNB Greeley) should be based upon objective factors: "whether, considering the structure of the market, the putative entrant's financial capability to enter independently, its economic incentive to do so, and the reasonable prospects for making such an entry successful, there exists a basis for entry which would be reasonably acceptable to prudent management, if entry by acquisition of a large market share was not available" (Gov't Br., pp. 29-30). We have already demonstrated in our main brief that the objective evidence in this record requires an affirmative answer to that question.

Appellees' response consists essentially of a frontal attack on the conclusion that the banking market in the Greeley Area is concentrated (see Gov't. Br., pp. 20-28, 47-49), and a collateral attack—based on testimony of the acquiring firm's officers denying any intent to enter *de novo* and on testimony of a federal banking official that he would not recommend the chartering of a new bank in the area—on the objective evidence showing that Bancorporation is a significant potential entrant into the market (see Gov't.

Br., pp. 36-44).[2] Our main brief answers most of these arguments.[3] We add only the following observations:

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[2] Appellees also argue (Br. 68-78) that even if the merger has the proscribed anticompetitive effects, they are outweighed by its alleged pro-competitive aspects. As explained in our principal brief (pp. 46-47), however, these contentions are to be considered under the " 'convenience and needs of the community to be served' " defense, but not in determining whether the government has shown anticompetitive effect. Since the district court dismissed the complaint because of its holding that the government had not proven anticompetitive effect and did not consider the "convenience and needs" defense, that issue is not properly before this Court.

[3] Appellees have challenged the district court's finding (J.S. App. A, pp. 41-43) that the relevant line of commerce for purposes of resolving the potential competition question is "commercial banking" (Br. 82-83). Their argument was fully considered by the court below and rejected "on the merits of the question [and] on the basis of positive law" (J.A. App. A, p. 42). This ruling is in line with the decisions of this Court. See *United States* v. *Philadelphia National Bank*, 374 U.S. 321, 356; *United States* v. *Phillipsburg National Bank*, 399 U.S. 350, 360-361.

With reference to the relevant geographic market, appellees now contend (Br. 78-82) that the district court erred in choosing the so-called "Greeley Area" (J.S. App. A, pp. 43-47), rather than the City of Greeley. In the district court, however, they argued that all of "Weld County is the relevant area for measuring the effects of the merger" (J.S. App. A, p. 46). The government's position in the district court was that either the City of Greeley or the larger Greeley Area were appropriate geographic markets. After reviewing the evidence, the court found that the most relevant market of those proposed for testing the effect of the acquisition was the Greeley Area, "that is, the City of Greeley and its environs and satellite communities * * *" (J.S. App. A, p. 47). Appellees state no persuasive reason for disturbing this finding.

1. *Market concentration.* Appellees attempt to show that the Greeley Area market is not highly concentrated by a comparative reference to the number of banks in communities of similar size elsewhere in the country (Br. 32-37). They argue that "concentration" exists only when "the market in question has been preempted by fewer competitive entrants than could reasonably be accommodated within a given geographic market * * *" (Br. 32). Since the six banking organizations in the Greeley Area are said to exceed the number of banks generally serving comparable markets elsewhere, appellees conclude that we deal here with "a highly *un*concentrated market" (Br. 35).

This approach to market concentration misses the mark. It ignores market share figures, which this Court has consistently regarded as fundamental to a determination of anticompetitive effects. See *United States* v. *Philadelphia National Bank*, 374 U.S. 321, 363; *United States* v. *Phillipsburg National Bank* 399 U.S. 350, 366-367. A market concentration ratio is defined "as the percentage of total industry sales (or * * * assets) contributed by the largest few firms, ranked in order of market shares." Scherer, *Industrial Market Structure and Economic Performance*, 50, 51 (1970). In the Greeley Area, the three largest (including FNB Greeley) of the six banking organizations have more than 90 per cent of all deposits (Gov't. Br., p. 47). That is the true measure of the economic structure of the market, and the one which this Court applied in *Phillipsburg* in holding that the market

there, which contained seven banks, was "already concentrated" because of the large percentage of the business done by the top firms (399 U.S. at 366-367).[4]

2. *Bancorporation as a potential entrant.* In our main brief, we discuss the objective factors showing that Bancorporation is a significant potential entrant as one of the few firms outside the Greeley Area with the ability and incentive to enter as a substantial competitor into the market (Gov't. Br., pp. 36-44).[5]

Appellees respond with the argument that, since "Greeley has had the lowest absolute growth of any Colorado community of 25,000 or more and * * * Bancorporation had no office in 11 of those 13 communi-

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[4] See also the discussion in our main brief at pp. 47-49.

[5] Appellees argue (Br. 46-50) that Bancorporation's status as a potential entrant makes it no different, as a competitive influence on the market, from anyone else who is free to enter by organizing a new bank. But this argument overlooks the fact that no individual group of businessmen without banking experience, substantial resources, and skilled personnel can hope to have the same impact on the Greeley market that independent or foothold entry by Bancorporation would have. As appellees point out (Br. 69), the combination of Bancorporation's $500 million in resources, its expert personnel and institutional experience would make it a most effective competitor in the Greeley Area. While permitting it to acquire FNB Greeley would further entrench the existing three-firm dominance of the Greeley market, as we have pointed out in our main brief (Gov't Br., p. 51) (and see *Federal Trade Commission* v. *Procter & Gamble Co.*, 386 U.S. 568, 578-580; *General Foods Corp.* v. *Federal Trade Commission*, 386 F.2d 936, 945-946 (C.A. 3), certiorari denied, 391 U.S. 919), this would not be the case if Bancorporation's competitive ability were placed behind a new bank or a small bank in the Greeley Area; the effect of such entry would rather be to offset the existing domination of the three market leaders.

ties" (Br. 45), the Greeley Area was a relatively unattractive market to the acquiring holding company. Bancorporation, however, now operates banks in 4 of those 13 communities (Denver, Northglenn, Boulder and Colorado Springs); six others are in the Denver Standard Metropolitan Statistical Area ("SMSA"), where Bancorporation is the largest banking organization and operates five separate banks. Hence Greeley is one of only three cities (Pueblo and Fort Collins are the others) outside the Denver SMSA of significant size in which Bancorporation has no commercial banking office.

Moreover, Weld County—where the Greeley Area is located—is one of only four counties in the State with more than 50,000 population where Bancorporation does not operate.[6] The company is actively considering entry by foothold acquisition into Larimer County (Loveland) (PX6; App. 563-567), and has sought unsuccessfully to enter Pueblo County (56 Fed. Res. Bul. 731). Thus, Weld County, and more particularly the Greeley Area, represent one of the very few major population centers of the State not served by Bancorporation.[7] In the view of Bancorporation's concerted

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[6] Of the ten counties in Colorado with more than 50,000 population, five (Denver, Boulder, Jefferson, Adams and Arapahoe) are in the Denver SMSA, an area in which Bancorporation already has a major position. Bancorporation has recently entered El Paso County by foothold acquisition. *First National Bancorporation*, 58 Fed. Res. Bul. 493.

[7] Nor does the record support appellees' apparent effort to disclaim any interest by Bancorporation in the Greeley Area. The district court found that Bancorporation does trust busi-

effort to expand into new banking markets throughout the State (see also Gov't. Br., p. 7, n. 9 and pp. 25-26, n. 28), a comparison between the Greeley Area's growth rate and that of other communities in Colorado of similar size, is an inadequate basis for measuring the Greeley market's relative attractiveness to Bancorporation.[8]

Appellees' heavy reliance on testimony of the acquiring firm's officers, disavowing any intent to enter that market *de novo*, is equally misplaced.[9] We have

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ness in the area (J.S. App. A. 31-32; PX 37); and appellees do not dispute (Br. 24-27) that the acquiring company also solicits business (merchant accounts) in the area, makes large loans there and operates a mortgage-lending office in Greeley (which was recently spun off with certain other mortgage offices operated by Bancorporation to form the First National Bancorporation, one of the largest mortgage banking concerns in the State of Colorado, 58 Fed. Res. Bul. 596). Contrary to appellees' assertion (Br. 24), we do not contend that these activities establish "a presence" in Greeley; they do, however, demonstrate Bancorporation's continuing interest in the market and underscore its presence on the edge of the market as a potential competitor. Compare *Virginia National Bankshares*, 58 Fed. Res. Bul. 494, 495-496.

[8] Moreover, appellees' comparative analysis cannot erase the fact, as demonstrated in our main brief at pp. 9, 37, that the Greeley Area experienced substantial growth in the decade of the 1960's.

[9] This testimony does not address the question of a possible "foothold" entry by Bancorporation; accordingly appellees have sought to defend the decision below solely on the ground that the acquiring firm's officers stated that the holding company "would not enter Greeley by *de novo* charter * * *" (Br. 40).

The district court also discounted the possibility of a foothold acquisition by Bancorporation. Referring only to one of

already pointed out why such "subjective" testimony should be accorded little weight in evaluating the potential competition question under Section 7 (Gov't. Br., pp. 28-36).[10] Similarly, we explained in our main

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the three small commercial banks in the Greeley Area that could appropriately serve as a foothold (see Gov't Br., p. 11, n. 13), State Bank of Greeley, it observed that "the objective evidence presented * * * does not suggest that [an acquisition of that bank by Bancorporation] is or would be a likely possibility" (J.S. App. A, p. 50). The "objective evidence" alluded to was testimony by a Bancorporation witness indicating that State Bank of Greeley was unavailable because the owners insisted on unreasonable terms (App. 298). Recently, however, Central Colorado Bancorporation filed an application with the Federal Reserve Board to acquire State Bank of Greeley (application filed May 12, 1972; amended application filed June 12, 1972), and the Board published notice of its approval of the application on August 3, 1972 (37 Fed. Reg. 15533). The application was approved by the Federal Reserve Board October 3, 1972. Moreover, there still remain two small "foothold" banks in the Greeley Area available to Bancorporation. The fact that they are respectively located at 8 miles north and 5 miles south of the City of Greeley hardly makes them "out-of-the-way" for Greeley customers, as appellees seem to suggest (Br. 12, n. 23). Nor are appellees accurate in their apparent contention that the district court was unaware of the existence of these smaller banks (see J.S. App. A, p. 33).

[10] Despite management's stated reluctance to enter the Greeley Area *de novo*, this method of entry had been the sole means of expansion by the principals of Bancorporation's lead bank, FNB Denver, prior to formation of the holding company (see Gov't. Br., p. 6; App. 286). Certainly *de novo* entry into the Greeley Area remains a viable alternative for Bancorporation if it can not acquire FNB Greeley.

Indeed, on one occasion Bancorporation considered entering a market by chartering a bank there. Toward the end of 1969, Bancorporation officials discussed with the Regional

brief (Gov't. Br., p. 41) why the district court improperly gave controlling weight to the testimony of the Regional Administrator of National Banks that he could foresee no need for a new national bank in Greeley for "upward to five years" (App. 330).[11]

The unreliability of abstract opinions given by reg-

Administrator of National Banks the possibility of applying for a charter for a new bank in the Montbello Shopping Center, a suburb of Denver (App. 509-510, 293, 351). Bancorporation subsequently applied to the Board of Governors of the Federal Reserve System to acquire the existing bank in Montbello, which had opened in the interval, but the Board denied the application (App. 352; DX 52, App. 1750). Bancorporation then filed with the Comptroller of the Currency an application to form a new national bank there, but, after a hearing, the Comptroller denied it (App. 353).

[11] When a bank enters a market *de novo* or through a different acquisition, after a proposed acquisition has been rejected, the intervening interval may vary considerably. In Colorado, both Bancorporation and United Bankshares entered the Colorado Springs market within a year after being frustrated in their efforts to buy market leaders. *United Banks of Colorado*, 58 Fed. Res. Bul. 58; *First National Bancorporation*, 58 Fed. Res. Bul. 493. But in New York State, by contrast, it took almost ten years for Manufacturers and Traders Bank of Buffalo to enter New York City as an actual competitor. See *First Empire State Corp.*, 58 Fed. Res. Bul. 582 (original combination denied in 1962—*Morgan New York State Corporation*, 48 Fed. Res. Bul. 567). In 1967, Virginia National Bank sought unsuccessfully to enter the Richmond, Virginia, area, by acquisition of a local market leader, Central National Bank. *Allied Bankshares Corporation*, 53 Fed. Res. Bul. 763. Virginia National has, however, recently announced plans to enter this market through a foothold acquisition. See Moody's, *Bank and Finance*, Vol. 44, p. 1464, September 19, 1972.

Such intervals between proposed and actual entry thus do not alter the potential-competitor-status of those firms on the edge of the market during that period.

ulatory officials as to whether they would or would not charter a new bank, not made in connection with any actual application therefor, is further shown by the recent experience in Greeley. Unlike the Regional Administrator of National Banks, the State Banking Commissioner in this case expressed no opinion on whether he would authorize a new bank in that area, for which no application was then pending (App. 491). Less than twelve months after such testimony, the State Banking Board granted a charter to another Colorado bank holding company (Colorado National Bankshares) to organize a new bank in Greeley (Appellees' Br., p. 4, n. 6).[12] This action further supports the argument in our main brief that theoretical statements by bank regulatory officials provide no sound basis for predicting what the officials would do when presented with an actual application based upon specific facts.[13]

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[12] Since Colorado National Bankshares is not forming a national bank, it is not required also to obtain approval for the new charter from the Comptroller of the Currency.

[13] The statement by the Regional Administrator that he would not recommend the chartering of a new bank in Greeley was irrelevant to the question whether Bancorporation could enter the Greeley market by making a foothold acquisition, or by having its principals organize a new state bank and then acquiring the latter's stock, since such acquisitions would be subject to the regulatory approval not of the Comptroller of the Currency, but of the Federal Reserve Board. Compare *First National Bancorporation*, 58 Fed. Res. Bul. 493, *United Banks of Colorado*, 58 Fed. Res. Bul. 58 (entry into Colorado Springs by foothold acquisitions).

CONCLUSION

The judgment of the district court should be reversed and the case remanded for further consideration under correct criteria.

Respectfully submitted.

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OCTOBER 1972.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-703

UNITED STATES OF AMERICA,

Appellant,

v.

FIRST NATIONAL BANCORPORATION, INC. and THE FIRST NATIONAL BANK OF GREELEY,

Appellees.

APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

APPELLEES' SUPPLEMENTAL BRIEF TO PRESENT NEW MATTER

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In Appellees' brief in chief at page 13, mention was ade that Central Colorado Bancorp, Inc., had applied to quire State Bank of Greeley, thus removing the othold entry argument from this case. On October 3, 72, the Federal Reserve Board approved that plication (Board Approval Statement is appended).

It is of interest here that this unanimous ruling of the ard contained the following statement:

> In view of the number of banks serving the Greeley area and a proposal by another holding company [Colorado National] to open a new bank in the area, *the possibility that applicant could reasonably enter the area through establishment of a de novo bank is remote.* (Emphasis supplied)

This further datum bears directly on the uncontroverted evidence of record that a *de novo* application in Greeley would probably be denied.

Respectfully submitted,

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EDWARD B. CLOSE, JR.
Attorneys

October, 1972

APPENDIX A

FEDERAL RESERVE SYSTEM

CENTRAL COLORADO BANCORP, INC.

Order Approving Acquisition of Bank

Central Colorado Bancorp, Inc., Colorado Springs, Colorado, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under § 3(a)(3) of the Act (12 U.S.C. 1842(a)(3)) to acquire not less than 90 per cent of the voting shares of State Bank of Greeley, Greeley, Colorado ("Bank").

Notice of the application affording opportunity for interested persons to submit comments and views has been given in accordance with § 3(b) of the Act. The time for filing comments and views has expired and the Board has considered the application and all comments received in the light of the factors set forth in § 3(c) of the Act (12 U.S.C. 1842(c)).

Applicant controls three subsidiary banks with aggregate deposits of approximately $51 million, representing about 1 per cent of deposits of commercial banks in Colorado.[1] Consummation of the proposed transaction would increase Applicant's share of Statewide deposits by only 0.1 percentage point and would not result in a significant increase in the concentration of banking resources in Colorado.

On the basis of deposits, Bank (deposits of $2.5 million) is the smallest of six banks located in Greeley and ranks thirteenth among 15 banks in Weld County.

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[1] All banking data are as of December 31, 1971.

Applicant's closest banking subsidiary to Bank is located approximately 120 miles north of Greeley. In view of factors, such as the distances involved and the nature of Colorado's branching laws, consummation of this transaction would have no significant effect on existing competition, nor is there a reasonable probability that significant potential competition would develop among Applicant's banking subsidiaries and Bank if this application were denied. In view of the number of banks already serving the Greeley area and a proposal by another holding company to open a new bank in the area, the possibility that Applicant could reasonably enter the area through establishment of a *de novo* bank is remote. Indeed, consummation of this transaction may have a procompetitive effect on competition in the Greeley area since it will serve to dilute the interest in Bank of an officer of a competing bank. The Board concludes that the competitive considerations are consistent with approval of the application.

The financial and managerial resources and future prospects of Applicant, its subsidiary banks, and Bank are regarded as generally satisfactory and consistent with approval of the application, particularly in view of the commitment of Applicant to raise $4.5 million of additional capital within the next nine-month period, part of which is to be supplied to its banking subsidiaries. Considerations relating to the convenience and needs of the community to be served lend some weight to approval of the application, since Applicant proposes to give financial assistance in the relocation of Bank to an office in Greeley with more modern facilities from which Bank might be able to become a more viable competitor and is expected to expand and improve its banking services. It is the Board's judgment that the proposed

transaction is in the public interest and that the application should be approved.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be consummated (a) before the thirtieth calendar day following the effective date of this Order or (b) later than three months after the effective date of this Order, unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Kansas City pursuant to delegated authority.

By order of the Board of Governors,[1] effective October 3, 1972.

/s/ Tynan Smith
TYNAN SMITH
Secretary of the Board

(SEAL)

[1]Voting for this action: Chairman Burns and Governors Mitchell, Daane, Brimmer, and Sheehan. Absent and not voting: Governors Robertson and Bucher.

(Slip Opinion)

NOTICE: This opinion is subject to formal revision before publication in the preliminary print of the United States Reports. Readers are requested to notify the Reporter of Decisions, Supreme Court of the United States, Washington, D.C. 20543, of any typographical or other formal errors, in order that corrections may be made before the preliminary print goes to press.

SUPREME COURT OF THE UNITED STATES

No. 71–703

United States, Appellant, *v.* First National Bancorporation, Inc., et al. | On Appeal from the United States District Court for the District of Colorado.

[February 28, 1973]

PER CURIAM.

The judgment is affirmed by an equally divided Court.

MR. JUSTICE POWELL took no part in the consideration or decision of this case.